Supreme Court, U.S.
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IN THE
Supreme Court of the United States
OCTOBER TERM, 1996

ARTHUR A. COLLINS, INC.,
Petitioner,

v.

AMERICAN TELEPHONE AND TELEGRAPH COMPANY,
Respondent.

Petition for a Writ of Certiorari to the United States Court of Appeals for the Fifth Circuit

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PETITION FOR A WRIT OF CERTIORARI

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QUESTIONS PRESENTED

1. Whether Fed. R. Civ. P. 60(b) provides the exclusive remedy for fraud committed in the course of prior federal litigation, preempting a state law tort action for fraud.

2. Whether this state law action for fraud is precluded by the prior federal judgment.

3. Whether the court of appeals erred in imposing sanctions on petitioner for maintaining that Fed. R. Civ. P. 60(b) does not preempt a state law fraud action.

PARTIES TO THE PROCEEDING

All parties to the proceeding are named in the caption. Arthur A. Collins, Inc., has no parent companies and no non-wholly-owned subsidiaries.

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PETITION FOR A WRIT OF CERTIORARI

Arthur A. Collins, Inc., respectfully petitions for a writ of certiorari to review the judgment of the United States Court of Appeals for the Fifth Circuit in this case.

OPINIONS BELOW

The opinions of the court of appeals (Pet. App. 1a-8a, 17a-32a) and the district court (*id.* at 9a-13a) are unreported.

JURISDICTION

The judgment of the court of appeals was entered on January 22, 1996 (Pet. App. 1a). The court of appeals granted a petition for rehearing (*id.* at 15a) and entered an order on rehearing on November 15, 1996 (*id.* at 17a-32a). The jurisdiction of this Court is invoked under 28 U.S.C. 1254(1).

STATEMENT

This is a state law action, within the diversity jurisdiction of the federal district court, in which petitioner alleges that respondent committed fraud in the course of prior federal litigation. The court of appeals affirmed the dismissal of the complaint, stating that "a separate fraud claim of th[is] stripe" may not be brought because "the only avenue * * * open to [petitioner] was by way of a Rule 60(b) motion to set aside the mandate" that resolved the earlier litigation. Pet. App. 23a, 25a. The court of appeals then imposed sanctions on petitioner on the ground that "it was and remains patently unreasonable for [petitioner] genuinely to believe otherwise." *Id.* at 23a.

The court of appeals' conclusion that Rule 60(b) preempts a state law tort claim alleging fraud in prior litigation is incorrect and is inconsistent with the decisions of this Court and of other courts of appeals. Review by this Court is therefore appropriate. In addition, the court of appeals' imposition of sanctions is a serious error, of the kind that warrants the exercise of this Court's supervisory power. That is an additional reason for the Court to grant review in this case.

1. Petitioner Arthur A. Collins, Inc., is a research and development company formed in the 1970s to pursue research on digital telecommunications technology. That research culminated in a number of patents, including U.S. Patent No. 3,956,593, which was awarded in 1976.[1] This patent pertained to a digital telephone switch, used to connect and disconnect telephone calls in a particular area or system. Pet. App. 48a.

In the early 1980s, respondent AT&T introduced a local telephone office switch based on Collins's patented

[1] Collins Licensing, L.P., reassigned the patent and assigned all the rights pertaining to this litigation to Arthur A. Collins, Inc. Pet. App. 46a-47a. We will refer to both of these entities, and to the predecessors of Collins Licensing, L.P., as "Collins."

technology. Pet. App. 49a. This switch became a flagship product for AT&T, with sales in the tens of billions of dollars. *Ibid.* In 1986, Collins and AT&T began negotiations over the licensing of Collins's patent. After four years of unsuccessful negotiations, Collins brought suit against AT&T for infringement of the Collins patent. *Id.* at 49a-50a.

AT&T maintained that the patent was invalid. Initially AT&T relied upon an article written by one Guido Granello entitled *Switching Networks for PCM Time Division Exchanges.* See Pet. App. 49a. Specifically, AT&T maintained that Figure 5 of the Granello article had anticipated claim 29 of the Collins patent. *Id.* at 50a. AT&T also formally requested the United States Patent and Trademark Office to invalidate claim 29 of the Collins patent on the basis of the Granello article. *Id.* at 51a.

At trial, Collins introduced expert testimony to the effect that Figure 5 of the Granello article was not the kind of representation that could have anticipated the Collins invention. AT&T did not cross-examine Collins's expert on this point, did not show Figure 5 to the jury, and subsequently abandoned its reliance on Granello at the trial. In closing argument, AT&T's counsel explicitly stated that AT&T was not relying on Granello. Pet. App. 51a.

The jury found that claim 29 of Collins's patent was valid and had been infringed by AT&T, and returned a verdict of $34 million in favor of Collins. Pet. App. 51a. At the time judgment was entered, the Patent Office's reexamination of the Collins patent was still pending. AT&T did not advise the Patent Office of its change in position about Figure 5 of the Granello article. *Id.* at 52a.

2. AT&T appealed the judgment entered on the jury's verdict to the United States Court of Appeals for the

Federal Circuit. In its opening brief in the Federal Circuit, AT&T returned to the previously-abandoned defense that Figure 5 of the Granello article anticipated claim 29. Pet. App. 52a-53a. In its brief, Collins asserted that AT&T was barred from raising Granello on appeal because it had abandoned it at trial. In its reply brief, AT&T repeated its representations about Granello. The oral argument before the Federal Circuit was almost entirely on the issue of infringement, not on the question of originality to which the Granello article was relevant. *Id.* at 54a.

Subsequent to the oral argument, the Patent Office confirmed the validity of claim 29. Pet. App. 54a. This determination reversed an earlier, preliminary finding, based in part on Granello, that claim 29 was invalid. *Id.* at 52a. The Federal Circuit, however, invalidated claim 29 and reversed the judgment in favor of Collins. *Id.* at 33a-44a. In doing so, the Federal Circuit explicitly relied on Figure 5 of Granello and adopted the representations AT&T had made about what Figure 5 of Granello showed. *Id.* at 36a-37a; 54a-55a.

Collins then filed a petition for rehearing in which it argued that AT&T had knowingly mischaracterized the Granello article. At the same time, Collins moved to supplement the record with amicus curiae letters, written by five preeminent telecommunications experts, stating that the Federal Circuit's conclusions about Granello, which were based on AT&T's representations, were false. The Federal Circuit denied the motion to supplement the record and did not consider the amicus submissions. The Federal Circuit also denied, without comment, the motion for rehearing. Pet. App. 55a. This Court denied certiorari. *Collins Licensing, L.P. v. American Tel. & Tel. Co.*, 114 S. Ct. 2155 (1994).

3. Collins then brought this action in the United States District Court for the Northern District of Texas.[2] The complaint alleged that AT&T had engaged in a "fraudulent scheme to nullify claim 29" of the Collins patent, a scheme that included "fraudulent representations to the United States Patent and Trademark Office * * * and to the United States Court of Appeals for the Federal Circuit." Pet. App. 47a. Collins appended to the complaint affidavits from experts who had submitted amicus letters to the Federal Circuit. *Id.* at 57a. The complaint alleged four counts of tortious conduct. *Id.* at 61a-63a.

Federal jurisdiction was based on diversity of citizenship. See 28 U.S.C. 1332; Pet. App. 46a. Collins sought compensatory damages, including (but not limited to) compensation of $34 million for the verdict that was overturned, as well as punitive damages. *Id.* at 64a.

The district court dismissed the complaint "without prejudice." Pet. App. 14a. The court held that it lacked "jurisdiction over this action" (*id.* at 12a) because "[r]elief from judgment would be the only proper remedy for an assertion of fraud on the court." *Ibid.* The district court asserted: "Claims of fraud cannot support collateral attacks on prior court judgments by means of an independent action; rather, all non-appellate attacks on a final judgment must be brought in the original action, not by independent action." *Id.* at 11a-12a. The district court further ruled that Collins's claim was barred because Collins had not sought the permission of the Federal Circuit. The district court stated that "[i]n the absence of leave of the circuit court of appeals that rendered a prior decision, district courts may not alter or amend judgments affirmed by a circuit court" (*id.* at 11a).

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[2] Collins's office is in Dallas, in the Northern District of Texas, where this action was brought. The patent infringement action had been brought in the Western District of Texas.

The Fifth Circuit affirmed, in a per curiam opinion without oral argument. The panel asserted that "[s]tripped to its essentials," Collins's fraud action "seeks to attack collaterally the Federal Circuit's mandate" (Pet. App. 2a). In a brief, two-paragraph discussion, the panel stated that "[n]o matter how long or how loudly Collins professes that it does not seek relief from the mandate of the Federal Circuit, it cannot evade the facts to the contrary" (*id.* at 6a-7a); that Collins had "thrice to the Federal Circuit and once to the Supreme Court * * * argued that the Federal Circuit's determination was factually wrong and the product of AT&T's fraudulent representations" (*id.* at 7a); that "all four times this argument was soundly rejected" (*ibid.*); and that "Collins does not deserve a fifth bite at the apple" (*ibid.*). The panel then "assess[ed] all costs of this appeal, including AT&T's reasonable attorneys' fees, against Collins" on the ground that the appeal was "frivolous" and that "[t]he lady of excess proportion has not only sung but has delivered three encores" (*id.* at 7a-8a). The panel "cautioned" Collins "against wasting the resources of the courts and this defendant with further vexatious prosecution of this claim." *Id.* at 8a.

Collins filed a petition for rehearing, noting that Rule 38 of the Federal Rules of Appellate Procedure permits an award of damages and costs for a frivolous appeal only "after a separately filed motion or notice from the court" and only after the appellant has a "reasonable opportunity to respond." Fed. R. App. P. 38. The panel, stating that it was acting "out of an abundance of concern" (Pet. App. 18a) granted the petition for rehearing (*id.* at 15a-16a) and held a hearing before a single member of the panel (*id.* at 20a-21a). The panel then issued a more detailed opinion stating the basis for its ruling and increasing the award of sanctions. *Id.* at 15a-32a.

Again the panel began its analysis by stating that Collins's state law tort action "was purely and simply a

collateral attack on the Federal Circuit's mandate in *Collins I*." Pet. App. 19a. The panel stated that "the only avenue * * * open to Collins was by way of a Rule 60(b) motion to set aside the mandate" (Pet. App. 25a). The panel acknowledged that Collins had cited several decisions of this Court that allowed independent actions seeking remedies for fraudulently obtained prior judgments. *Ibid.* But the panel stated that Collins's reliance on these decisions was "sophistry at best" because those decisions "all predate[d] the creation of Rule 60, which now governs the type of review envisioned by those cases but which Collins has studiously avoided." Pet. App. 25a. The court of appeals concluded that "even minimal additional research should have led Collins to the realization that equitable review of final judgments is now governed exclusively by Rule 60." Pet. App. 25a.

The panel also endorsed the district court's view that Collins would have to seek leave from the Federal Circuit before filing this action. Pet. App. 27a-28a. The panel rejected Collins's argument that this Court's decision in *Standard Oil Co. v. United States*, 429 U.S. 17 (1976), abolished the so-called "appellate leave" rule. Pet. App. 28a. But the panel stated (*ibid.*):

> Sanctions would be appropriate in this case * * * even if the appellate leave rule had been abolished by *Standard Oil*, as Collins contends. On appeal Collins has not sought the right to bring a Rule 60 motion in district court without first obtaining appellate leave. On the contrary, Collins has clearly and consistently demonstrated that it wants no part of any Rule 60 motion.

The panel then not only reaffirmed the award of sanctions but increased it, awarding AT&T's attorney's fees for participating in the sanctions hearing. Pet. App. 31a-32a.

REASONS FOR GRANTING THE PETITION

The court of appeals ruled that Rule 60(b) of the Federal Rules of Civil Procedure provides the "exclusive[]" remedy for fraud committed in the course of prior federal litigation, preempting even a state law tort action. Pet. App. 25a. The court of appeals believed that this proposition was so plain that petitioner's contrary contention was sanctionable. In fact, the conclusion reached by the court of appeals is incorrect. It cannot be squared with the plain language of Rule 60(b); it is inconsistent with the decisions of this Court; and it is contradicted by the decisions of several other courts of appeals.

This Court should grant review to correct the court of appeals' error and resolve the disagreement among the circuits. The question whether a tort action may be brought to seek relief from fraudulent conduct in litigation is significant and recurring, and it is likely to become increasingly important because fraud actions make available forms of relief, such as punitive damages, that are not available under Rule 60(b). This is, therefore, the appropriate time for this Court to review this important issue.

Beyond that, the court of appeals' decision to impose sanctions—a decision accompanied by procedural irregularities—is not just error but egregious error, of a kind that should be corrected by this Court in the exercise of its supervisory power.

I. RULE 60(b) DOES NOT PROVIDE AN EXCLUSIVE REMEDY THAT PREEMPTS STATE TORT ACTIONS FOR FRAUD

A. The panel asserted, confidently and repeatedly, that Collins's only proper recourse for the fraud it alleged was a motion under Rule 60(b) of the Federal Rules of Civil Procedure. This conclusion is contradicted by the language of Rule 60(b) itself. Rule 60(b) provides: "This rule does not limit the power of a court to entertain an

independent action to relieve a party from a judgment, order, to proceeding * * *." The panel below made no mention of this language, which by itself disposes of the panel's statement that "minimal * * * research" would show that "review of final judgments is now governed exclusively by Rule 60" (Pet. App. 25a).

Even apart from this savings clause, the panel's conclusion that Rule 60(b) exempts state law tort actions rests on a fundamental misunderstanding. Conduct that is tortious under state law does not somehow acquire an immunity from the appropriate state tort remedies just because one of its illicit fruits is an undeserved federal court judgment. If a party were to engage in, for example, violent intimidation that deterred an opponent from litigating a case vigorously, no one would think it amiss if the victim brought a state law tort action for damages. There is simply no requirement—in Rule 60(b) or anywhere else—that the victim first seek to have the judgment vacated.

Of course, the prior proceedings might have collateral estoppel effects that would pose an obstacle to the subsequent tort action. But in the absence of collateral estoppel, a state tort plaintiff who can show that the defendant's fraud produced an adverse decision by a court is just as entitled to compensation as a plaintiff who can show that the defendant's fraud produced an adverse decision by some other entity, such as, for example, a bank loan officer or a personnel manager. The plaintiff is entitled to compensation for the injury inflicted by the adverse decision, plus punitive damages if appropriate.

The panel not only failed to see this point but reacted with hostility when petitioner advanced it. The panel repeatedly insisted that Collins's fraud suit was "creatively characterized" (Pet. App. 19a), a "bogus" and "mislabeled" tort claim (*id.* at 20a, 23a), a "wolf in sheep's clothing" (*id.* at 6a) whose "true nature" (*id.* at 20a, 28a) was "purely and simply a collateral attack on the

Federal Circuit's mandate" (*id.* at 19a). The panel sarcastically remarked that "Collins admitted in a rare moment of candor that it had hoped to recover punitive damages by bringing a state-law based tort action" and said that this "troubles us deeply." *Id.* at 26a-27a.

But the panel did not explain why a tort action should be unavailable here—with the value of the fraudulently obtained judgment as an element of damages. Nor did the panel explain why relief against a party who has engaged in fraud of the kind alleged here should be limited to having the judgment vacated, and should not potentially include punitive damages to deter such conduct in the future. If anything, such remedies are more appropriate when fraud has been committed in the course of judicial proceedings, because "tampering with the administration of justice * * * involves far more than an injury to a single litigant. It is a wrong against the institutions set up to protect and safeguard the public * * *." *Hazel-Atlas Glass Co. v. Hartford-Empire Co.*, 322 U.S. 238, 246 (1944).

Finally, the panel, in holding that Rule 60(b) barred Collins from asserting its state law claim for fraud, ignored this Court's injunction that "because the States are independent sovereigns in our system, we have long presumed that Congress does not cavalierly pre-empt state-law causes of action." *Medtronic, Inc. v. Lohr*, 116 S. Ct. 2240, 2250 (1996). A traditional state common law cause of action is to be preempted only if " 'that [i]s the clear and manifest purpose of Congress.' " *New York State Conference v. Travelers Insurance Co.*, 115 S. Ct. 1671, 1676 (1995), quoting *Rice v. Santa Fe Elevator Corp.*, 331 U.S. 218, 230 (1947). Here, exactly the opposite intent is "clear and manifest": Rule 60(b) is explicitly not preemptive. It follows that Collins should have been allowed to pursue its state law claim.

B. The panel's decision on this point is also inconsistent with the decisions of this Court. This Court has, on

many occasions, permitted a party to bring an independent action seeking a remedy for fraud that produced an adverse judgment. See, *e.g.*, *Simon v. Southern Railway*, 236 U.S. 115 (1915); see generally 11 C. Wright, A. Miller, and M. Kane, Federal Practice and Procedure § 2868 (1995). The three cases that are the foundation of the law in this area—*Marshall v. Holmes*, 141 U.S. 589 (1891); *Arrowsmith v. Gleason*, 129 U.S. 86 (1889); and *Johnson v. Waters*, 111 U.S. 640 (1884)—were relied upon heavily by Collins in the courts below, but were dismissed out of hand by the panel.

In *Marshall v. Holmes*, the plaintiff, invoking the diversity jurisdiction of the federal courts, sought relief from judgments entered not just in a different federal court—the situation here—but in a *state* court. This Court stated that such an action "is none the less an original, independent suit, because it relates to judgments obtained in the court of another jurisdiction." 141 U.S. at 599. The contrast to the panel's repeated assertions—that Collins's action was really a collateral attack, and that Collins was disingenuous in characterizing it as an independent tort action—could not be greater.

This Court in *Marshall* explained that although a federal court "cannot require the state court itself to set aside or vacate the judgments in question" (141 U.S. at 599), it nonetheless "may, as between the parties before it, if the facts justify such relief, adjudge that [the defendant] shall not enjoy the inequitable advantage obtained by his judgments." *Ibid.* "A decree to that effect would operate directly upon [the defendant] * * *. It would simply take from him the benefit of judgments obtained by fraud." *Id.* at 599-600. This language, too, applies directly to the relief Collins seeks here: Collins seeks not an order setting aside the Federal Circuit's judgment but only an order "operat[ing] directly upon" AT&T, to provide recompense for AT&T's wrongful conduct.

Similarly, in *Arrowsmith v. Gleason,* the Court upheld the claim of a plaintiff who, invoking the diversity jurisdiction, sought an order overturning a sale of property approved by a state probate court. The Court explicitly denied that the judgment of the probate court was "void" (129 U.S. at 96); indeed, the Court acknowledged that a federal court lacks the power to "set[] aside and vacat[e] the orders of [a state] Probate Court" (*id.* at 98). But the Court, speaking through the first Justice Harlan, explained that "it does not follow that the right of [the defendants] to hold these lands, as against the plaintiff, cannot be questioned in a court of general equitable jurisdiction upon the ground of fraud." *Ibid.*

In *Johnson v. Waters,* also, the plaintiff sued in federal court to undo a transaction approved by a state probate court. The Court once again explained the basis of the federal courts' power to grant relief in terms that apply literally to this case (111 U.S. at 667 (emphasis added)):

> The fact of being a party does not estop a person from obtaining in a court of equity relief against fraud. It is generally parties that are the victims of fraud. The court of chancery is always open to hear complaints against [fraud], whether committed in pais, *or in or by means of judicial proceedings.* In such cases the court does not act as a court of review, nor does it inquire into any irregularities or errors of proceeding in another court; but *it will scrutinize the conduct of the parties, and if it finds that they have been guilty of fraud in obtaining a judgment or decree, it will deprive them of the benefit of it* * * *.

The panel below—which cited no cases from this Court to support its position that Rule 60(b) is an exclusive remedy—dismissed *Marshall, Arrowsmith,* and *Johnson* in a single paragraph, giving two reasons (Pet. App. 25a): that the cases involved "equitable review of a final judgment, not * * * an independent state-law tort claim"; and, "[m]ore importantly" that they "predate the creation of Rule 60 * * *." But Rule 60(b) would not have

applied in these cases, so their vitality cannot have been affected by the adoption of Rule 60(b). These cases share the two crucial characteristics of Collins's action: they seek a remedy for fraud committed in prior litigation; and they do not seek to overturn the judgment rendered in the prior litigation. This Court's decisions explicitly affirmed the propriety of such actions; the panel considered them so inappropriate as to be sanctionable.

The panel also did not explain why it mattered that the plaintiffs in *Marshall*, *Arrowsmith*, and *Johnson* sought relief in equity. There is a straightforward explanation of why most federal cases involving independent actions alleging fraud in prior litigation seek equitable relief, not damages: the foundational cases were decided at a time when the federal courts exercised a general equity jurisdiction. See, *e.g.*, *Arrowsmith*, 129 U.S. at 99 ("The equity jurisdiction conferred on the federal courts is the same as that the High Court of Chancery in England possesses"). A federal cause of action for equitable relief from a fraudulent judgment developed at that time and continues to be recognized today. See Fed. R. Civ. P. 60(b), 1948 Advisory Committee Note.[8] No comparable

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[8] The Advisory Committee Note states that an independent action is available "upon those principles have heretofore been applied in such an action." Rule 60(b) therefore does not affirmatively create any new independent cause of action, in law or equity. But there is no question that the savings clause of Rule 60(b) *permits* an action at common law, like Collins's, where state law provides for such an action. The language of the savings clause is of course not restricted to equitable actions, and the Advisory Committee Note specifically contemplates suits at law under the savings clause. The Advisory Committee Note specifies that "[w]here an independent action is resorted to, the limitations of time are those of laches or statutes of limitations." Laches is an equitable doctrine; statutes of limitations traditionally apply to actions at law. See also *Cresswell v. Sullivan & Cromwell*, 922 F.2d 60, 70 (2d Cir. 1990) and *Robinson v. Volkswagenwerk AG*, 56 F.3d 1268, 1274 (10th Cir. 1995), cert. denied, 116 S. Ct. 705 (1996), discussed at pages 14-17 *infra*.

common law remedy was recognized in the federal courts[4] and of course today the authority of the federal courts to provide a common law remedy, in the absence of statutory authorization, would be subject to serious question.

But this, too, has no bearing on Collins's claims. Collins asserts not a federal cause of action, equitable or legal, but a state law claim. The panel below did not so much as suggest that the applicable state law fails to provide a remedy for the kind of fraud that the complaint alleges. Since Collins has invoked a state law cause of action, and no principle of federal law bars a state tort action in this situation, the panel erred in upholding the dismissal of Collins's complaint.[5]

C. Not surprisingly, the panel's decision is inconsistent with the decisions of other courts of appeals. In *Cresswell v. Sullivan & Cromwell*, 922 F.2d 60 (2d Cir. 1990), the parties to a settlement of an earlier federal suit brought a state common law fraud action, claiming that fraudulent conduct during discovery in the prior action caused them to settle on less favorable terms than they otherwise would

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[4] See Note, Attacking Fraudulently Obtained Judgments in the Federal Courts, 48 Iowa L. Rev. 398, 398 (1963): "[E]quity interfered with injunctions before the concept of new trials was accepted in common-law courts."

[5] *Marshall*, *Arrowsmith*, and *Johnson* are particularly dramatic affirmations of the principle that underlies Collins's suit—that an independent action may be brought to seek a remedy for fraud that led to a prior judgment, without setting aside that judgment—because of the interjurisdictional character of those foundational cases: the federal claim sought a remedy for fraud committed in state litigation. Federal injunctive relief in this precise situation is now understood to be highly questionable, because of the Anti-Injunction Act, 28 U.S.C. 2283. See *Hill v. Martin*, 296 U.S. 393, 403 (1935); *Toucey v. New York Life Ins. Co.*, 314 U.S. 118, 136 (1941); *Atlantic Coast Line Railroad Co. v. Brotherhood of Locomotive Engineers*, 398 U.S. 281, 297 (1970). See also Note, Relief in Federal Courts Against State Judgments Obtained by Fraud, 54 Yale L.J. 687 (1945). Of course this has no bearing on Collins's action, which seeks damages, not an injunction, and in which the prior judgment was rendered in federal court.

have obtained. The plaintiffs sought compensatory damages equal to the difference between the actual settlement and the settlement they would have reached but for the fraud. See *Cresswell*, 668 F. Supp. 166, 168 (S.D.N.Y. 1987). The plaintiffs were careful to explain, as Collins did here, that they were "not seeking 'relief' from a 'judgment' within the terms of Rule 60(b). Instead, they seek to affirm the judgment of settlement, and sue for additional damages caused only by the fraud" (668 F. Supp. at 169).

The Second Circuit, explicitly noting that this suit was not a motion under Rule 60(b), ruled that it could go forward—if "supported by its own jurisdictional grounds" —as the kind of independent action contemplated by the savings clause of Rule 60(b). *Cresswell*, 922 F. 2d at 70.[6] The Second Circuit has reaffirmed this principle as recently as 1995, allowing an independent action to go forward even against the United States, in the face of serious questions about the lack of a waiver of sovereign immunity. *Weldon v. United States*, 70 F.3d 1, 4-5 (2d Cir. 1995). As the district court explained in *Cresswell*:

> [N]othing in the language of Rule 60(b) supports the defendants' contention that it precludes an action for fraud in connection with [prior litigation]. Rule 60(b) denotes instances when a court "may relieve a party . . . from a judgment," but it does not purport to cover damages actions for fraud that seek to

[6] The Second Circuit then ruled that if the independent action were brought in the same court that had entertained the previous action, that court would have "ancillary jurisdiction." 922 F.2d at 70. This conclusion has been questioned. *Kalt v. Hunter*, 66 F.3d 1002, 1005-06 (9th Cir. 1995). But the question whether such ancillary jurisdiction exists is, of course, not present here, where jurisdiction rests on diversity of citizenship. And the Second Circuit's holding on this point demonstrates that there would be nothing anomalous about bringing an independent action in a different court from the one that entered the previous judgment. See also *Carney v. United States*, 462 F.2d 1142, 1144 (Ct. Cl. 1972); Fed. R. Civ. P., 1948 Advisory Comm. Note.

> affirm or ratify a judgment rather than seek relief from a judgment. Its focus is on a specific remedy—obtaining relief from a judgment—not on all available remedies for fraud.

668 F. Supp. at 170. This, of course, is Collins's argument exactly.

Similarly, the Tenth Circuit has flatly rejected the approach taken by the panel in this case. In *Robinson v. Volkswagenwerk AG*, 56 F.3d 1268 (10th Cir. 1995), cert. denied, 116 S. Ct. 705 (1996), a party who had lost a jury verdict in a previous action in federal court brought suit for common law fraud, invoking the diversity jurisdiction, to claim that fraudulent conduct by opposing counsel in the prior litigation "caused the court to exclude [certain] documents from [evidence] and led to the adverse jury verdict." *Id.* at 1271. The district court—like the panel here—held "that plaintiffs' only recourse for such claims was under the provisions of Fed. R. Civ. P. 60(b) governing relief from judgments." *Id.* at 1272.

The Tenth Circuit rejected the district court's ruling. 56 F.3d at 1273. The Tenth Circuit explained that the plaintiffs "are not attempting in this action to have the previous judgment set aside. Rather, they are seeking to recover damages said to be caused by the defendants' fraud in the course of obtaining that judgment." *Id.* at 1272 (citation omitted). The Tenth Circuit noted that the savings clause of Rule 60(b) contemplates that such an action may be brought and ruled that the plaintiffs were entitled to bring it instead of invoking Rule 60(b). 56 F.3d at 1274. The Tenth Circuit did ultimately rule against the *Robinson* plaintiffs—but even that ruling, as we will explain, displays the error in the approach taken by the panel below. See page 23 note 11, *infra*. And on the question whether Rule 60(b) is an exclusive remedy that preempts a state law damages action for fraud, the

Tenth Circuit's disagreement with the panel below could not be more stark.[7]

II. THE PRIOR JUDGMENT DID NOT PRECLUDE PETITIONER'S TORT ACTION

The panel also stated that the prior judgment of the Federal Circuit barred Collins's suit. The panel relied on the so-called "appellate leave" rule; it also suggested that Collins's suit was barred by collateral estoppel. Both of these conclusions by the panel were incorrect. Indeed, both appear to be byproducts of the panel's erroneous holding that Collins could not bring an independent tort action but had to proceed under Rule 60(b).

A. *The "Appellate Leave" Rule.* A primary basis for the district court's ruling was that it lacked jurisdiction because Collins had not sought leave from the Federal Circuit before bringing suit. See Pet. App. 11a. The panel agreed, stating that it was "clear beyond cavil" that the district court was correct, and that Collins's appeal "was quintessential frivolousness." *Id.* at 28a. In *Standard Oil v. United States*, 429 U.S. 17 (1976), the Court explained that this rule, at one time approved by a number of courts, required that an appellate court grant its permission "before the District Court could reopen a case which had been reviewed on appeal" on the theory that

[7] Moreover, although the panel's ruling is plainly incorrect, it cannot be dismissed as an aberration; it reflects a genuine disagreement among the circuits that warrants this Court's attention. The Fifth Circuit has traditionally taken a restrictive approach to claims suggesting fraud in prior litigation that were not brought as motions to set aside a judgment. See, *e.g.*, *Villarreal v. Brown Express, Inc.*, 529 F.2d 1219 (5th Cir. 1976). The district court below noted this. See Pet. App. 11a-12a, citing *Midessa Television v. Motion Pictures for Television*, 290 F.2d 203, 205 (5th Cir.), cert. denied, 368 U.S. 827 (1961); *Vandervoort v. Vandervoort*, 529 F.2d 424, 426 (5th Cir. 1976). In addition, the Seventh Circuit, in a thinly-reasoned opinion, appeared to adopt the same position as the panel below. See *Taft v. Donellan Jerome*, 407 F.2d 807 (7th Cir. 1969).

"an appellate court's mandate bars the trial court from later disturbing the judgment entered in accordance with the mandate." *Id.* at 18.

The courts below erred in holding that this requirement, assuming it has any vitality, applies to this case. In fact, this is the same error as those courts committed in concluding that Collins could not proceed by an independent action and was required to move under Rule 60(b). As we have explained, Collins does not seek to "reopen" the litigation before the Federal Circuit, and this litigation can in no way disturb the Federal Circuit's mandate.

We note in addition that in *Standard Oil Co.*, this Court appeared to abolish the appellate leave requirement, which it disapproved in unequivocal terms (429 U.S. at 18-19 (citation omitted)):

> In our view, the arguments in favor of requiring appellate leave are unpersuasive. * * * The appellate-leave requirement adds to the delay and expense of litigation and also burdens the increasingly scarce time of the federal appellate courts. We see no reason to continue the existence of this "unnecessary and undesirable clog on the proceedings."

But the district court ruled that this apparently unqualified holding of *Standard Oil* actually applies only when the motion to reopen a judgment is based on *"subsequently discovered* fraud upon the *district* court" (Pet. App. 11a n* (emphasis in original)).

Since the appellate leave requirement has no bearing on this case in any event, the Court need not decide whether the district court's interpretation of *Standard Oil* is correct. But it is surely extraordinary that the panel considered it "quintessential frivolousness" for Collins to pursue an appeal that was based on the most natural interpretation of the plain language of a recent decision of this Court.

B. *Collateral estoppel.* Passages in the panel's opinion suggest that the panel also believed that Collins's tort action was barred by collateral estoppel; the panel repeatedly said, for example, that Collins was seeking "a fifth bite at the apple." Pet. App. 7a; see *id.* at 22a, 27a. But it seems apparent that the panel's consideration of the collateral estoppel issue was colored by its conviction that Collins was simply not entitled to bring a tort action at all in these circumstances because Rule 60(b) is an exclusive remedy. For example, the panel never specified the issues, raised by Collins's tort claim, that were resolved in the prior proceedings; and the panel's discussion of collateral estoppel is marred by such elementary errors as treating the denial of Collins's prior petition for a writ of certiorari as a decision on the merits against Collins. See Pet. App. at 7a.

In any event, the conclusion that Collins's claims were barred by collateral estoppel is incorrect. Collateral estoppel requires, among other things: (i) that the issue in question have been actually determined by a court (see, *e.g.*, *Brown v. Felsen*, 442 U.S. 127, 139 n.10 (1979); Restatement (Second) of Judgments § 27 (1982)); (ii) that the judicial determination follow actual litigation of the issue by the parties (*ibid.*); and—a requirement this Court has emphasized—(iii) that that litigation occur under circumstances in which the party who is supposedly estopped had "a 'full and fair opportunity' to litigate the claim or issue." *Kremer v. Chemical Construction Corp.*, 456 U.S. 461, 480-81 (1982) (citations omitted). See, *e.g.*, *Allen v. McCurry*, 449 U.S. 90, 95 (1980); *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation*, 402 U.S. 313, 328-29 (1971).

The fact that the Federal Circuit entered a judgment against Collins of course cannot preclude Collins's tort action; the claim that a judgment was the product of fraud obviously cannot be barred by the existence of that very judgment. See Restatement (Second) of Judgments

§ 70. Collins's fraud action can be collaterally estopped only if the prior proceedings determined, after Collins had a full and fair opportunity to litigate the question, that AT&T's representations about the Granello article were not intentionally false.

This issue—which turns both on a highly technical, factual issue about the Granello article and on an inquiry into the state of mind of AT&T's agents—could only have been fairly determined by evidentiary proceedings in a trial court. But AT&T explicitly abandoned reliance on the Granello article in the trial. Conceivably the Patent Office could also have shed light on this issue. But the Patent Office ruled *against* AT&T.

The first time AT&T made its representations about Granello in the prior litigation was in its opening brief in the Federal Circuit. As even the panel acknowledged, Collins's principal response was not to engage the factual issues but to point out that AT&T had waived the defense based on Granello and accordingly could not raise it on appeal. Pet. App. 24a. The panel asserted that Collins "has only itself to blame" (*ibid.*) for not contesting the merits of AT&T's assertions. But it cannot be the case that every party who points out that an issue has been waived also has an obligation to argue the issue on the merits.[8]

Thus the collateral estoppel defense in this litigation must necessarily rest on the Federal Circuit's denial of Collins's petition for rehearing, in which Collins did make a full argument on the Granello issue. But a denial of rehearing is just that: a denial of a hearing, not an "actual[] litigat[ion] and determin[ation]" (Restatement (Second) of Judgments § 27 (1982)) of an issue. See, *e.g., United States v. Cote*, 51 F.3d 178, 181 (9th Cir.

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[8] Indeed, a recent decision of the Seventh Circuit appears to suggest that a discussion of the merits in these circumstances can waive the claim that an argument was not raised below. See *Doherty v. City of Chicago*, 75 F.3d 318, 324 n.2 (7th Cir. 1996).

1995). This is especially true when the issue is a highly technical, factual issue that was never contested at trial, and when the Federal Circuit denied the rehearing petition without considering the five expert amicus letters offered by Collins that explicitly contradicted the factual representations that AT&T made about the Granello article.[9]

Routinely, in cases involving fraud committed in the course of a prior trial or appeal, the victim of the fraud will have had *some* opportunity to demonstrate the fraud during the prior litigation. That alone cannot bar a subsequent action based on the fraud. For example, in *Hazel-Atlas Glass Co. v. Hartford-Empire Co.*, 322 U.S. 238 (1944)—this Court's principal precedent on fraud committed in the course of patent litigation, and a case with important parallels to this case—the party alleging fraud in the prior litigation had had an opportunity to raise the

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[9] We emphasize, moreover, that Collins cannot be collaterally estopped unless it had a full and fair opportunity to litigate not just the accuracy of AT&T's statements but AT&T's intentions as well. That is because the Federal Circuit's denial of Collins's petition for rehearing cannot be interpreted as deciding that AT&T's representations were accurate. The Federal Circuit relied not just on the Granello article but on other "prior art" in concluding that claim 29 was invalid. See Pet. App. 36a-37a. Accordingly, the Federal Circuit might have denied rehearing even if it had concluded that its statements about Granello were mistaken, and its denial of rehearing cannot be interpreted as having "necessarily adjudicated" (Restatement (Second) of Judgments § 27 (1982)) that AT&T's statements were accurate.

The only thing that can be inferred from the denial of rehearing is that the Federal Circuit did not believe that AT&T deliberately misled the court, because—as we discuss in note 10, *infra*—deliberate misstatements would have required that the judgment be set aside, notwithstanding the alternate grounds. See *Hazel-Atlas Glass Co. v. Hartford-Empire Co.*, 322 U.S. 238, 246-47 (1944). The notion that Collins's petition for rehearing alone constituted a full and fair opportunity to litigate not just about the nature of the Granello article but about AT&T's intentions is obviously implausible. But that is the premise on which any collateral estoppel argument must rest.

possible fraud in both the district court and the court of appeals, but did not do so. This Court nonetheless allowed the claim of fraud to be raised in a subsequent proceeding.[10]

If "there is reason to doubt the quality [or] extensiveness" of the "procedures followed in [the] prior litigation" then collateral estoppel may not be applied, and "[r]edetermination of issues is warranted." *Montana v. United States*, 440 U.S. 147, 164 n. 11 (1979). When a party's only meaningful chance to contest a technical, factual issue is in a petition for rehearing in a court of appeals—without being allowed even to submit expert affidavits that bear squarely on the factual issue—there is surely a great deal of "reason to doubt the quality [or] extensiveness" of the procedures. And it is manifest that

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[10] In that case, Hazel-Atlas claimed that an article used by Hartford in a prior patent infringement action had been ghost-written by Hartford's lawyers. 322 U.S. at 240-41. Hazel-Atlas had been in a position to raise this claim at the time of the initial trial. *Id.* at 241. But it did not do so because—like the Granello article here—the ghost-written article, while in the record (and prominent in proceedings before the Patent Office) "seemingly played no important part" in the trial, at which Hazel-Atlas prevailed. *Ibid.* Hartford, like AT&T, first relied on the article in its brief to the court of appeals, where Hartford prevailed. *Ibid.* When Hazel-Atlas subsequently brought an action seeking to set aside the judgment on the ground of fraud, this Court rejected the argument that Hazel-Atlas had had an opportunity to demonstrate the fraud during the original litigation. *Id.* at 246.

The Court also rejected the argument—advanced by AT&T here—that the fraud was immaterial because the judgment against Hazel-Atlas rested on several grounds. 322 U.S. at 246-47. The Court stated (*ibid.*):

> Whether or not it was the primary basis for [the court of appeals'] ruling, the article did impress the [c]ourt, as shown by the [c]ourt's opinion. Doubtless it is wholly impossible accurately to appraise the influence that the article exerted on the judges. But we do not think the circumstances call for such an attempted appraisal. Hartford[] * * * thought the article material. * * * [It is] in no position now to dispute its effectiveness.

that party has not been afforded "a 'full and fair opportunity' to litigate the claim" (*Kramer*, 456 U.S. at 480-81).[11]

III. THE IMPOSITION OF SANCTIONS WAS WHOLLY UNWARRANTED AND SHOULD BE SET ASIDE BY THIS COURT

We submit that the panel's action in imposing sanctions in this case was indefensible and should be set aside by this Court in the exercise of its supervisory power. Sup. Ct. R. 10(a). As we have demonstrated, Collins's position—that Rule 60(b) is not an exclusive remedy, that Collins is entitled to bring a tort action for damages, and that it is not collaterally estopped on any material issue—is more than amply supported by precedent, logic, and the plain language of the rules. The panel's harsh and vituperative reaction to Collins's claim is the product of its misunderstanding of the issues presented, not of careful analysis.

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[11] The contrast between the decision below and that of the Tenth Circuit in *Robinson v. Volkswagenwerk AG*, *supra*, shows the magnitude of the error committed by the panel below. In *Robinson*, the plaintiffs brought a state law tort action for damages, claiming that an adverse jury verdict in prior litigation was the product of fraudulent conduct during the litigation. As we have explained, the Tenth Circuit rejected the argument that the fraud action was preempted by Rule 60(b). See page 16, *supra*. The Tenth Circuit did conclude that the fraud action was barred by collateral estoppel—but only because the issue of fraud itself had been fully litigated in a separate, post-trial proceeding in which "all the evidence" was heard. 56 F.3d at 1272. The Tenth Circuit ruled that that post-trial proceeding, and the earlier jury verdict—now found to be untainted by fraud—collaterally estopped the civil damages action.

Thus the Tenth Circuit's collateral estoppel ruling was based on a plenary evidentiary hearing on the issue of fraud; here, collateral estoppel would have to be based on a denial of rehearing in a court of appeals, without any consideration of factual evidence. The contrast further points up the extent to which the panel's misconception about the exclusive nature of Rule 60(b) colored its entire decision.

The panel's decision was also marked by procedural irregularities and elementary substantive errors. The panel initially imposed sanctions without the "separately filed motion or notice from the court" that is explicitly required by Rule 38 of the Federal Rules of Appellate Procedure, and without granting Collins the hearing mandated by that Rule. When Collins pointed out the panel's error and requested a hearing, the panel asserted that it was granting the hearing only out of "an abundance of concern" and rebuked Collins for defending itself in the hearing.[12] The panel treated a denial of certiorari as a ruling on the merits. It brushed aside precedents from this Court without clearly explaining its basis for doing so. It declared arguments that were obviously substantial to be "frivolous" or "sophistry." It repeatedly substituted florid rhetoric for careful analysis.

In these and other respects, the panel's conduct simply does not show the degree of care that should be required before imposing sanctions and impugning the reputation of the attorney who represented Collins in the proceedings below. Whatever room for disagreement may exist on the important substantive issue presented by this case, this Court should not permit the imposition of sanctions to stand.

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[12] The panel stated: "After the Petition for Rehearing in protest of th[e] sanctions was filed, we implicitly gave Collins the opportunity to re-think its position, accept the sanctions intially imposed, and withdraw its Petition for Rehearing * * *. But Collins was obviously not interested, obstinately pressing on with its vindicatory—and, we conclude, vindictive—crusade." Pet. App. 31a.

We note in this connection that, on rehearing, Collins sought only relief from the award of sanctions and did not contest the judgment on the merits.

CONCLUSION

The petition for a writ of certiorari should be granted. The Court may wish to consider summarily vacating the award of sanctions.

Respectfully submitted.

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February 13, 1997

APPENDICES

APPENDICES

APPENDIX A

[Filed Jan. 22, 1996]

IN THE UNITED STATES COURT OF APPEALS
FOR THE FIFTH CIRCUIT

No. 95-10520
(Summary Calendar)

ARTHUR A. COLLINS, INC.,
Plaintiff-Appellant,

versus

AMERICAN TELEPHONE AND TELEGRAPH COMPANY,
Defendant-Appellee.

Appeal from the United States District Court
For the Northern District of Texas
(3:94CV02842)

Before WIENER, PARKER, and DENNIS, Circuit Judges:

PER CURIAM: *

The suit from which this appeal arises (Tort Suit) was filed by Plaintiff-Appellant Arthur A. Collins, Inc.

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* Pursuant to Local Rule 47.5, the court has determined that this opinion should not be published and is not precedent except under the limited circumstances set forth in Local Rule 47.5.4.

(Collins) against Defendant-Appellee American Telephone and Telegraph Company (AT&T) in federal district court for the *Northern* District of Texas. Stripped to its essentials, the Tort suit seeks to attack collaterally the Federal Circuit's mandate issued in an appeal of a prior lawsuit filed by Collins against AT&T (the Patent Suit) in the *Western* District of Texas. In the Tort Suit, the district court dismissed Collins complaint and we now affirm that judgment.

I

FACTS AND PROCEEDINGS

A. The Patent Suit

In December 1990, Collins filed the Patent Suit against AT&T in the federal district court for the Western District of Texas, alleging, *inter alia*, that AT&T had infringed Collins' patent, U.S. Patent No. 3,956,593 ('593 Patent). After trial, a Texas jury found that AT&T had infringed claim 29 (Claim 29)[1] of the '593 Patent. The district court awarded Collins a judgment exceeding $34 million. As that case involved issues of patent law, AT&T appealed to the Federal Circuit, rather than to us (Patent Appeal).[2]

In May 1992, shortly after Collins obtained its judgment in the Patent Suit, the United States Patent and Trademark Office (PTO) rejected Claim 29 as invalid (Invalidation Decision). In its Patent Appeal brief, AT&T

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[1] The "claims" of the patent define the limits of the patent owner's exclusive rights during the life of the patent. Herbert F. Schwartz, *Patent Law and Practice*, 7-8 (2d ed. 1995).

[2] The Federal Circiut, not the Fifth Circuit, has "exclusive jurisdiction" over "an appeal from a final decision of a district court of the United States . . . if the jurisdiction of that court was based, in whole or in part, on [28 U.S.C.] section 1338." 28 U.S.C. § 1295(a)(1). Section 1338 provides that "[t]he district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents." 28 U.S.C. § 1338.

cited the PTO's Invalidation Decision. According to Collins, the PTO reached its decision by relying, "*inter alia*," on AT&T's alleged "false representation" concerning an article by Guido Granello entitled "Switching Networks for PCM Time Division Exchanges" (Granello Article). In February 1993, the PTO reversed its prior ruling and held that Claim 29 was valid (Revalidation Decision).

At oral argument in the Patent Appeal, the parties "vigorously disputed" the meaning of the Granello Article and its effects on the patentability of Claim 29. In a November 1993 decision, the Federal Circuit invalidated Claim 29 and reversed Collins' judgment, holding that Claim 29 had been anticipated by "prior art,"[3] the Granello Article. In its opinion, the Federal Circuit expressly stated that it knew of both the Invalidation Decision and the Revalidation Decision.[4] It placed no weight on either decision; instead, it addressed the patentability issue de novo.[5] The Federal Circuit also invalidated Claim 29 on the alternative grounds that its was "obvious"[6] in

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[3] As strangers journeying in a strange land, we summoned the assistance of Federal Circuit precedent for an explanation of the esoteric patent phrase "anticipatory prior art." Our search revealed the following explanation:

> If one prior art reference completely embodies the same process or product as any claim of the patent in suit, the process or product recited by that claim is said to be "anticipated" by the prior art and the claim is therefore invalid under § 102 for want of novelty.

Shatterproof Glass Corp. v. Libbey-Owens Ford Co., 758 F.2d 613, 619 (1985).

[4] *Collins Licensing, L.P. v. American Tel. & Tel. Co.*, 11 F.3d 1072, *reported in full at* 28 U.S.P.Q.2d (BNA) 1847 (Fed. Cir. 1993) ("[W]e are not unmindful of the fact that on reexamination the PTO, after initial rejection of claim 29 . . . withdrew that rejection."), *cert. denied*, 114 S.Ct. 2155 (1994).

[5] *Id.*

[6] A patent is invalid,

> if the differences between the subject matter sought to be patented and the prior art are such that the subject matter

light of two additional prior art articles known as "Mack & Patrusky" and the "Final Technical Report." [7]

Collins filed a petition for rehearing with the Federal Circuit. In its petition, Collins "explained . . . AT&T's deception and mischaracterization of . . . the Granello article." The petition for rehearing accused AT&T of "deception," "artifice," and "prevarication," in addition to making "utterly false" representations and telling "the big lie." [8] Collins also asked the Federal Circuit to consider "new" evidence, in the form of amici letters.[9] The Federal Circuit denied Collins' petition for rehearing. In addition, it later declined to accept a suggestion for rehearing en banc.

> as a whole would have been obvious at the time the invention was made to a person having ordinary skills in the art to which said subject matter pertains.

35 U.S.C. § 103.

[7] *Collins Licensing, L.P.* 28 U.S.P.2d at 1850. The Federal Circuit explained that "*both* Granello . . . *and* the Final Technical Report . . . teach [the] individual space and time switch modules" that Collins had argued were critical to the patentability of its alleged invention, and that "[a]ll three references[, the Granello Article, Mack & Patrusky, as well as Final the Technical Report,] further teach the advantages of a modular design. *Id.* at 1849.

It continued as follows:

> [T]he jury would have had to find that the prior art does not show individual control of a time or a space module. On this record, substantial evidence does not support such a finding. Deference due a jury's fact findings in a civil case is not so great . . . as to require acceptance of findings where, as here, these findings are clearly and unquestionably not supported by substantial evidence. To do so would render a trial and the submission of evidence a farce.

Id. at 1850.

[8] The Complaint in the Tort Suit levels identical allegations against AT&T.

[9] These same letters were attached to the complaint in the Tort Suit.

Undaunted, Collins next filed a petition for writ of certiorari to the Supreme Court, urging that the Federal Circuit relied on "mischaracterizations by AT&T" and that the circuit court's judgment "is simply factually wrong." [10] The Supreme Court, like the Federal Circuit before it, denied Collins' petition.[11]

Still refusing to accept the inevitable, Collins initiated the Tort Suit in December 1994, alleging that AT&T had engaged in a "fraudulent scheme to nullify claim 29 of Collins U.S. Patent No. 3,956,953" after Collins sought royalties for AT&T's allegedly infringing use of that patent. According to Collins, AT&T "falsely represented" to the PTO and to the Federal Circuit that the Granello Article anticipated Claim 29 and thus rendered it invalid. Collins alleges that AT&T "mischaracterized" that article by (1) failing to characterize its own arguments as fraudlent; (2) making different arguments before the PTO and the Federal Circuit as to why the Granello Article invalidated Claim 29; and (3) failing to alert Collins, the PTO, or the Federal Circuit to the differences in these arguments. Collins also asserts that AT&T portrayed trial testimony "falsely," while Collins portrayed the testimony accurately.

The Tort Suit complaint proffers four different torts: intentional injurious falsehood; intentional interference with protected property rights; fraud; and fraud on the government. By way of damages, Collins prayed for "its [Patent Suit] judgment against AT&T," "post-judgment interest on the [Patent Suit] judgment" and a $500,000 license payment which "was contingent upon the outcome of the appeal in the Federal Circuit."

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[10] By Collins own admission in the Tort Suit complaint, this is the essence of its arguments to the Federal Circuit (both on appeal and in its petition for rehearing), the Supreme Court, and in its complaint in the Tort Suit.

[11] *Collins Licensing, L.P. v. American Tel. & Tel. Co.*, 114 S.Ct. 2155 (1994).

Even before AT&T's answer was due, Collins filed a motion for summary judgment in which it sought a ruling that "the Federal Circuit's findings . . . [are] false as a matter of law." In response, AT&T sought dismissal of the Tort Suit: First, it contended that under Rule 12(b)(1), the district court lacked jurisdiction, as the Tort Suit was essentially a state-law-based collateral attack on the mandate of the Federal Circuit; second, it insisted that collateral estoppel or issue preclusion barred relief under Rule 12(b)(6), even if the district court had jurisdiction.

The district court granted AT&T's motion, dismissing the Tort Suit for lack of jurisdiction. Describing Collins complaint as a request to hold that the Federal Circuit was "wrong" and to relieve Collins from that Circuit's mandate, the district court held that, absent leave from the Federal Circuit, it had no jurisdiction over the Tort Suit, a separate cause of action collaterally attacking the mandate of a federal appellate court. In the alternative, the district court assumed arguendo that it had jurisdiction then held that collateral estoppel barred relief. Collins timely appealed to us.[12]

II

DISCUSSION

Collins complaint is a wolf in sheep's clothing. No matter how long or how loudly Collins profesess that it

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[12] As this appeal does not require the resolution of a substantial question of federal patent law, we have jurisdiction to hear it. *See Natec, Inc. v. Deter Co.*, 28 F.3d 28 (5th Cir. 1994) (citing *Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800, 809 (1988)).

First, Collins invoked diversity jurisdiction, 28 U.S.C. § 1332, rather than patent jurisdiction, 28 U.S.C. § 1338, asserting state law tort claims. Second, assuming that Collins incorrectly invoked diversity and should have invoked patent jurisdiction in the district court, this appeal does not involve a question of substantive patent law, but rather one of jurisdiction and another of collateral estoppel.

does not seek relief from the mandate of the Federal Circuit, it cannot evade the facts to the contrary. The Federal Circuit held that anticipatory art, the Granello Article, precluded the patentability of Claim 29. Issues such as this (i.e., whether the Granello Article is anticipatory prior art precluding the patentability of Claim 29) are unquestionably *patent law* issues in which the Federal Circuit has unique expertise and over which it has exclusive appellate jurisdiction. In its wisdom, the Federal Circuit held that Claim 29 was not patentable and reversed the $34 million dollar judgment awarded to Collins. On numerous occasions—thrice to the Federal Circuit and once to the Supreme Court—Collins has argued that the Federal Circuit's determination was factually wrong and the product of AT&T's fraudulent representations. And all four times this argument was soundly rejected. Whether or not AT&T committed fraud on the Federal Circuit has been fully heard. More importantly, it has been finally decided that AT&T committed no fraud.

Nonetheless, Collins dressed up its same old fraud argument, (this time in the guise of a state law tort claim), moved to a new neighborhood (the Northern District of Texas), and tried yet again to convince a federal court that AT&T committed fraud on the Federal Circuit. Recognizing it for what it is—a collateral attack on the mandate of the Federal Circuit—the district court refused to entertain such a specious complaint. We agree with the district court: Collins does not deserve a fifth bite at the apple. We affirm the judgment of the district court.

In addition, we assess all costs of this appeal, including AT&T's reasonable attorneys' fees, against Collins. A final decision or judgment is one that resolves a matter between two parties, leaving nothing open to further dispute. Included among the examples of a frivolous appeal are repeated challenges to issues that have been finally decided and prayers for relief that have been finally

denied. Collins is cautioned, at the risk of incurring sanctions, against wasting the resources of the courts and this defendant with further vexatious prosecution of this claim. The lady of excess proportion has not only sung but has delivered three encores; she is enjoined from singing more.

AT&T has twenty days from the issuance of the mandate herein to submit a verified and itemized statement of its costs including attorneys' fees, arising out of this appeal. Collins will then have ten days (until the thirtieth day after the issuance of said mandate) to file a response, if it cares to do so.

For the foregoing reasons, the judgment of the district court is AFFIRMED and all costs, including reasonable attorneys' fees, are assessed against Collins.

AFFIRMED.

APPENDIX B

[Filed May 10, 1995]

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

Civil Action No. 3:94-CV-2842-D

ARTHUR A. COLLINS, INC.,
Plaintiff,

vs.

AMERICAN TELEPHONE AND TELEGRAPH COMPANY,
Defendant.

MEMORANDUM OPINION
AND ORDER

This case is before the court on defendant's motion to dismiss for lack of subject matter jurisdiction or for failure to state a claim on which relief can be granted, defendant's motion for stay, and plaintiff's motion for summary judgment. The court grants defendant's motion to dismiss, denies as moot defendant's motion for stay, and denies plaintiff's motion for summary judgment.

I

This suit arises in connection with a dispute regarding claim 29 of U.S. Patent No. 3,956,593. Plaintiff Arthur A. Collins, Inc. ("Collins") sued defendant American Telephone and Telegraph Company ("AT&T") in the United States District Court for the Western District of Texas, and on March 27, 1992 obtained a judgment upon a jury verdict of over $34 million for infringement of

claim 29. AT&T appealed the judgment to the Federal Circuit.

In May 1992 the United States Patent and Trademark Office ("PTO") rejected claim 29 of Collins' patent in an office action, relying *inter alia* on an item of prior art known as the "Granello article," which anticipated claim 29 and rendered it invalid. In February 1993 the PTO reversed itself and held in Collins' favor.

In its appeal to the Federal Circuit, AT&T cited the PTO office action invalidating claim 29. The Federal Circuit was aware of the PTO reversal, and explicitly placed no weight on the PTO's initial office action. In the Federal Circuit, the parties vigorously disputed the meaning and import of the Granello article.

On November 5, 1993 the Federal Circuit reversed Collins' judgment and invalidated claim 29. *See Collins Licensing, L.P.*, 28 U.S.P.Q.2d 1848 (Fed. Cir. 1993). The court relied on the Granello article, but also invalidated claim 29 on the ground of obviousness, in light of two other prior art articles known as "Mack & Patrusky" and the "Final Technical Report." *Id.* at 1849.

Collins petitioned the Federal Circuit for rehearing, accusing AT&T of deception, making false representations, and mischaracterizing the Granello article. Collins also asked the Federal Circuit to consider new evidence. At the Federal Circuits request, AT&T responded to Collins' petition. Collins asserts that AT&T's response was a further perpetuation of "deception and mischaracterization." The Federal Circuit denied Collins' petition.

Collins then filed in the Supreme Court a petition for a writ of certiorari, asserting that the Federal Circuit's opinion, at AT&T's urging, is "simply factually wrong." Collins' petition was denied. *See Collins Licensing, L.P. v. AT&T*, —— U.S. ——, 114 S.Ct. 2155 (1994).

Collins now brings this action against AT&T, alleging that claim 29 was valid; that AT&T fraudulently misrep-

resented to the PTO and the Federal Circuit that the Granello article rendered claim 29 invalid; and that because of these fraudulent misrepresentations, Collins' patent was found invalid and Collins suffered damages. Collins alleges that AT&T mischaracterized the Granello article to the Federal Circuit by (1) failing to characterize its own arguments as fraudulent; (2) making different arguments before the PTO and the Federal Circuit as to why the Granello article anticipated claim 29; and (3) failing to alert Collins, the PTO, or the Federal Circuit to the differences in these arguments. Collins also asserts that AT&T portrayed the import of trial testimony fraudulently.

II

AT&T moves to dismiss Collins' suit for lack of subject matter jurisdiction, or for failure to state a claim upon which relief can be granted, alleging that this action is an impermissible attempt to set aside the judgment of the Federal Circuit. Collins insists that it does not seek to set aside the Federal Circuit's judgment, but rather intends to assert a tort claim for fraud on the court.

In the absence of leave of the circuit court of appeals that rendered a prior decision, district courts may not alter or amend judgments affirmed by a circuit court or the Supreme Court. *See United States v. United States District Court for the Southern District of New York*, 334 U.S. 258, 264 (1948); *Delaman, Lackawanna & Western R.R. Co. v. Rellstak*, 276 U.S. 1, 5 (1928).* Claims of

* The Supreme Court has eliminated the appellate leave requirement in limited circumstances not present here. In *Standard Oil Co. v. United States*, 429 U.S. 17 (1976), the Court held that recall of an appellate mandate was not a prerequisite to relief for *subsequently discovered* fraud upon the *district* court where relief was sought under Fed. R. Civ. P. 60(b) in the same district court, because "the appellate mandate relates to the record and issues then before the court, and does not purport to deal with possible later events." *Id.* at 18. Here, in contrast, Collins alleges a fraud per-

fraud cannot support collateral attacks on prior court judgments by means of an independent action; rather, all non-appellate attacks on a final judgment must be brought in the original action, not by independent action. *Midessa Television v. Motion Pictures for Television*, 290 F.2d 203, 205 (5th Cir.), *cert. denied*, 368 U.S. 827 (1961); *Vandervoort v. Vandervoort*, 529 F.2d 424, 426 (5th Cir. 1976).

Although Collins insists that it does not seek to set aside the Federal Circuit's judgment, the court determines that the extraordinary relief that Collins seeks—essentially a ruling that a factual finding of the Federal Circuit is wrong—would effectively amount to relief from the Federal Circuit's judgment. Further, all the authority on which Collins relies involves the equitable remedy of relief from judgment, rather than subsequent tort actions for fraud on the court. Collins cites no case in which a losing litigant has successfully brought a collateral tort action against a victorious litigant for fraud on the court that rendered the prior judgment. Relief from judgment would be the only proper remedy for an assertion of fraud on the court.

It is thus apparent that Collins cannot establish this court's jurisdiction over this action.

III

Assuming *arguendo* that the court has jurisdiction, the court determines that Collins' claims are barred by collateral estoppel. Collins' complaint thus fails to state a claim on which relief can be granted.

AT&T's motion to dismiss is granted. AT&T's motion to stay is denied as moot. Collins' motion for summary judgment is denied.

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petrated on the *appellate* court, concerning the record and issues before that court when it rendered its decision.

SO ORDERED.

May 10, 1995.

/s/ Sidney A. Fitzwater
SIDNEY A. FITZWATER
United States District Judge

[Filed May 10, 1995]

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

Civil Action No. 3:94-CV-2842-D

ARTHUR A. COLLINS, INC.,
Plaintiff,

vs.

AMERICAN TELEPHONE AND TELEGRAPH COMPANY,
Defendant.

JUDGMENT

For the reasons set out in a memorandum opinion and order filed today, this action is dismissed without prejudice. Taxable costs of court, as calculated by the clerk of court, are assessed against plaintiff.

Done at Dallas, Texas this 10th day of May, 1995.

/s/ Sidney A. Fitzwater
SIDNEY A. FITZWATER
United States District Judge

APPENDIX C

[Filed Mar. 8, 1996]

IN THE UNITED STATES COURT OF APPEALS
FOR THE FIFTH CIRCUIT

No. 95-10520

ARTHUR A. COLLINS, INC.,
Plaintiff-Appellant,

versus

AMERICAN TELEPHONE AND TELEGRAPH COMPANY,
Defendant-Appellee.

Appeal from the United States District Court
for the Northern District of Texas, Dallas

ON PETITION FOR REHEARING

(March 8, 1996)

Before WIENER, PARKER and DENNIS, Circuit Judges.

PER CURIAM:

IT IS ORDERED that the Petition for Rehearing on Attorneys' Fees filed by Rolf Stadheim and Joseph A. Grear, self-designated as the attorneys for Appellant Arthur A. Collins, Inc., is here GRANTED; and notice

is hereby given, pursuant to Fed. R. Civ. App. P. 38 of the intention of this court to impose sanctions for frivolous appeal pursuant to said Rule, and that in accordance therewith, said counsel and their client are hereby extended a reasonable opportunity to respond, to-wit:

> Rolf Stadheim, Esq., Joseph A. Grear, Esq., and the Chief Executive Officer of Arthur A. Collins, Inc. are ordered to appear in person at 8:00 a.m. on Tuesday, April 30, 1996, in the John Minor Wisdom Court of Appeals Building, 600 Camp Street, New Orleans, Louisiana, there and then to show cause why sanctions for frivolous appeal of the subject cause should not be assessed from among, and including, the full panopoly of sanctions authorized by Fed. R. App. P. 38. If the efforts of the persons who are hereby commanded to attend said show cause hearing prove unsuccessful and, as a result, the Fed. R. App. P. Rule 38 sanctions imposed by the court include single or double costs to the Appellee, such costs shall include any incurred in connection with said hearing, to which Defendant-Appellee is invited, but not commanded, to attend.

ENTERED FOR THE COURT:

/s/ J.L. Wiener Jr.
United States Circuit Judge

APPENDIX D

[Filed Nov. 15, 1996]

IN THE UNITED STATES COURT OF APPEALS
FOR THE FIFTH CIRCUIT

No. 95-10520

(Summary Calendar)

ARTHUR A. COLLINS, INC.,
Plaintiff-Appellant,

versus

AMERICAN TELEPHONE AND TELEGRAPH COMPANY,
Defendant-Appellee.

Appeal from the United States District Court
for the Northern District of Texas
(3:94-CV-2842)

Before WIENER, PARKER and DENNIS, Circuit Judges.

OPINION ON REHEARING
REGARDING SANCTIONS

WIENER, Circuit Judge: *

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* Pursuant to Local Rule 47.5, the court has determined that this opinion should not be published and is not precedent except under the limited circumstances set forth in Local Rule 47.5.4.

In our original opinion, we assessed sanctions against Plaintiff-Appellant Arthur A. Collins, Inc. (Collins) for filing and prosecuting a frivolous appeal. We did not specify that our sanctions were levied under Federal Rule of Appellate Procedure 38, but Collins assumed that we had and claimed that adequate notice and opportunity to respond, as provided for under that Rule, had not been given. Out of an abundance of concern, we scheduled and subsequently held a "show cause" hearing at which Collins' CEO was present together with counsel who had represented Collins in this and prior litigation. Also present were Louisiana counsel retained by Collins for purposes of the show cause hearing, and counsel for Defendant-Appellee American Telephone and Telegraph Company (AT&T). Our show cause hearing and the pleadings and exhibits filed in connection therewith have convinced us that sanctions were providently assessed, albeit in an amount that we now determine to have been inadequate and are therefore increased. Finding the activities of Collins and its counsel to have been not merely frivolous and unmeritorious, but objectively vexatious and harassing as well, we let stand the sanctions heretofore assessed but augment the quantum thereof as hereafter specified.

I

FACTS AND PROCEEDINGS

A. *Collins I*

In December 1990, Collins filed a patent infringement suit against AT&T in the district court for the Western District of Texas (*Collins I*). Collins obtained a favorable jury verdict, and the court awarded a judgment exceeding $34 million.

As that case involved issues of patent law, AT&T appealed to the Federal Circuit, which exercises exclusive appellate jurisdiction over patent disputes. The Federal Circuit reversed, holding that Collins' patent was invalid,

and overturning the jury award. The court rested its holding on two alternative legal determinations: (1) A "prior art" article written by Guido Granello (the Granello Article) had anticipated Collins' patent, and (2) the patent was invalid as "obvious" in light of two additional prior art articles ("Mack & Patrusky" and the "Final Technical Report").[1]

Collins filed motions for rehearing and for rehearing en banc before the Federal Circuit, claiming that AT&T had fraudulently misled the court into misinterpreting the technical data presented in the Granello Article. In obvious disagreement with, inter alia, Collins' attempt to characterize AT&T's legal and factual arguments as "fraud on the court," the Federal Circuit denied Collins' motions for panel and en banc rehearings.

Collins then sought a writ of certiorari from the Supreme Court, but it denied Collins' application for writs. This was in May 1994. At that juncture Collins had reached the point at which even the most aggressive reasonable litigant should have accepted the finality of an adverse result. But Collins pressed on.

B. Collins II—"*A Rose by Any Other Name . . . .*"[2]

Collins elected to continue its assault on AT&T's citadel, but did so obliquely. Forsaking the Western District of Texas for the Northern District, Collins filed a suit that it creatively characterized as a state-law tort claim (*Collins II*). When reduced to its essentials, however, that second action was purely and simply a collateral attack on the Federal Circuit's mandate in *Collins I*. The principal thrust of the pleadings in *Collins II* was not that the fraud was perpetrated on Collins, the plain-

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[1] Collins has never taken issue with the Federal Circuit's alternative holding that Mack & Patrusky and the Final Technical Report rendered Collins' patent invalid as obvious.

[2] William Shakespeare, *Romeo and Juliet*, act 2, sc. 2.

tiff, but on the Federal Circuit court itself. Even so, the amount of damages that Collins sought for itself for this purportedly tortious act of fraud on the appellate court was, not so coincidentally, essentially the same sum it had "lost" when the Federal Circuit reversed Collins' patent infringement judgment from the Western District of Texas.

The district court for the Northern District of Texas apparently had no difficulty in seeing through Collins' ruse. The court ruled that it lacked subject matter jurisdiction to hear such a collateral attack on the Federal Circuit's mandate, absent leave from that court to do so. Then, assuming arguendo that it did have jurisdiction over the case, the district court ruled in the alternative that *Collins II* was barred by collateral estoppel. Although the court then dismissed the case, it did so "without prejudice" so as to preserve for Collins the opportunity to do what it should have done in the first place (if it were not willing to throw in the towel after the Supreme Court denied writs), i.e., to entreat the Federal Circuit to set aside its own mandate and grant leave to Collins to bring an action in district court.

But Collins both ignored the district court's implicit invitation to return to the Federal Circuit for such orders and opted not to drop the matter altogether in light of the district court's unassailable ferreting out of the true nature of Collins' bogus tort suit. It chose instead to file the instant appeal directly with us, ostensibly seeking reversal of both of the district court's alternative holdings. Like the district court before us, though, we had no difficulty in concluding that *Collins II* was indeed a "wolf in sheep's clothing," and affirmed the judgment of the district court. In addition, though, we imposed sanctions against Collins for taking a frivolous appeal. As Collins had not been given notice and an opportunity to respond, however, we granted its request for such an opportunity by ordering a "show cause" hearing—which was ulti-

mately conducted by this writer on behalf of the panel—so that all of the panel members could reconsider the imposition of sanctions vel non and the type and quantum if imposed.

II

ANALYSIS

A. *Standard for the Imposition of Sanctions*

Attorneys and litigants are afforded a "broad umbrella" of protection against the imposition of sanctions for arguing novel or aggressive legal positions, as long as any position is arguably supported by existing law or by any reasonably based suggestion for its extension, modification, or reversal.[3] On the other hand, sanctions can and should be imposed against litigants who burden our limited judicial resources and the financial resources of their opponents with frivolous appeals. An appeal is frivolous if the claim advanced is unreasonable or not brought with a reasonably good faith belief that it is justified.[4] We hasten to add, in light of the protestations of Collins' counsel, that the test is an objective one: "Ill purpose is in no way a necessary element for imposition of sanctions under Rule 38."[5]

In like manner, sanctions may be levied against an attorney pursuant to § 1927. As this court has previously noted, bad faith is not a necessary element for the imposition of such a sanction:

> While the language of § 1927 suggests deliberate misbehavior, *subjective bad faith is not necessary*; attorneys have been held accountable for decisions

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[3] *Farguson v. Mbank Houston, N.A.*, 808 F.2d 358, 359 (5th Cir. 1986).

[4] *Clark v. Green*, 814 F.2d 221, 223 (5th Cir. 1987); *Stelly v. Commissioner*, 761 F.2d 1113, 1116 (5th Cir. 1985).

[5] *Coghlan v. Starkey*, 852 F.2d 806, 808 (5th Cir. 1988).

> that reflect a reckless indifference to the merits of a claim.[6]

We need not concern ourselves with the standard for imposing sanctions under § 1927, however, because the attorneys for Collins have stipulated in open court that if we remain convinced that sanctions are appropriate, we should render them jointly and severally against both Collins and its attorneys, and the latter will indemnify their client. Certainly, an attorney may voluntarily assume a client's obligation to pay sanctions that have been assessed for a frivolous appeal.[7]

B. *Collateral Estoppel*

1. *A Fifth Bite at the Apple*

Collins notes in its brief that the primary basis articulated in our original opinion for imposing sanctions was that Collins had already had "four bites at the apple" on its fraud claims, making those claims clearly subject to collateral estoppel. Collins contends that collateral estoppel does not apply, and that its appeal cannot be characterized as frivolous, because Collins has not yet received a "full and fair opportunity" to litigate its fraud claim. Collins argues that AT&T did not commit the "fraud" of which Collins complains until *Collins I* was on appeal before the Federal Circuit, and that, because Collins was caught off guard, it was unable to expose AT&T's wrongdoing to that court on appeal. Furthermore, Collins notes that no precedential authority attaches to the denials of its motions to the Federal Circuit for panel rehearing or for rehearing en banc, or to the refusal by the Supreme Court to grant certiorari. Therefore, contends Collins, it has not yet received even one of what it has termed "the phantom four bites at the apple."

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[6] *Id.* at 814, *quoting Reliance Ins. Co. v. Sweeney Corp.*, 792 F.2d 1137, 1138 (D.C. Cir. 1986). (emphasis added).

[7] *Coghlan*, 852 F.2d at 818 n. 28.

Indeed, Collins continues passionately and self-righteously to insist that the merits of its fraud claim have yet to be heard, and that both the district court and this court erred in determining that its fraud claim has been finally decided. But, as discerned correctly by the district court, Collins' so-called "fraud claim" is not a new and different claim at all. Even granting to Collins the full benefit of the doubt with regard to its fervently declared subjective belief in the validity and separateness of the claim, Collins cannot make the proverbial silk purse out of this sow's ear: The mis-labeled tort suit is truly nothing but an attempt to re-assert that the Federal Circuit incorrectly interpreted the Granello Article as a matter of law. Notwithstanding Collins' attempt to shift the focus away from the Federal Circuit's decision and onto the purported impropriety of AT&T's representation to that court regarding the Granello Article, there is not and there could not have been a separate fraud claim of that stripe. More importantly, it was and remains patently unreasonable for Collins genuinely to believe otherwise.

The invalidity of Collins' patent was decided with finality in *Collins I*,[8] in which Collins had a full and fair *opportunity* to argue in support of its interpretation—and in opposition to AT&T's supposedly fraudulent and erroneous characterization of the Granello Article to the Federal Circuit. AT&T advanced its argument concerning the Granello Article in its brief to the Federal Circuit, so Collins had more than ample opportunity to prepare and articulate a counterargument, either in its reply brief or during oral argument. Additionally, the Patent Office had recently invalidated Collins' patent on the basis of

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[8] The Federal Circuit invalidated Collins' patent based on two alternative legal determinations: that the Granello Article is anticipatory prior art, *and* that the patent was obvious in light of two additional prior art articles with which Collins has never taken issue. *See Collins Licensing, L.P. v. American Tel. & Tel. Co.*, 11 F.3d 1072, *reported in full at* 28 U.S.P.Q.2d (BNA) 1847 (Fed. Cir. 1993).

the same argument made to it by AT&T that AT&T was making to the Federal Circuit.[9] Collins has only itself to blame for failing to take issue with AT&T's arguments, particularly the characterization of the Granello Article, until after the Federal Circuit issued its opinion. That Collins failed fully to advocate its position before the Federal Circuit does not give rise to a subsequent fraud claim against AT&T.

Furthermore, Collins did fully articulate a counter-argument to AT&T's interpretation of the Granello Article in its motion for rehearing. As this court has noted previously under analogous circumstances, when "[t]he argument . . . before [a subsequent panel] was before the original panel, that panel must be presumed to have considered it on motion for rehearing."[10] The fact that the Federal Circuit refused to permit Collins to append new expert affidavits supporting Collins' explanation of the court's error is of no consequence.

Once Collins' motion for rehearing and suggestion for rehearing en banc were denied by the Federal Circuit and its application for a writ of certiorari was denied by the Supreme Court, the case was over. This finality applied to all issues of fact and law that were raised or could have been raised, including the allegedly fraudulent argu-

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[9] We are fully aware, as was the Federal Circuit, that the Patent Office subsequently found on rehearing that the patent was valid. Nevertheless, given the initial effectiveness of AT&T's arguments to the Patent Office and the fact that AT&T presented the same argument to the Federal Circuit in its appellate brief, Collins could have and should have attempted to dispel AT&T's purportedly erroneous characterization of the Granello Article to the Federal Circuit.

[10] *Fine v. Bellefonte Underwriters Ins. Co.*, 758 F.2d 50, 58 (5th Cir. 1985) (holding that the original panel's misstatement of the legal elements of an established cause of action had become law of the case and therefore could not be revisited when the appellant had filed a motion for rehearing in which it pointed out the panel's error, but the motion was denied).

ment made by AT&T to the Federal Circuit. We are satisfied that the Federal Circuit was perfectly capable of recognizing the difference between an attempt to commit fraud on the court and mere differences between the litigants' respective positions as to the proper interpretation of a highly technical learned treatise and the legal effects thereof. Thus, as made clear by the district court, the only avenue remaining open to Collins was by way of a Rule 60(b) motion to set aside the mandate—assuming that some articulable reason existed for doing so.

2. *A "Reasonable" Argument for the Extension of Existing Law?*

Collins next argues that an "unreversed line" of three Supreme Court cases provided reasonable support for its tort suit.[11] We not only disagree; we find that argument to be sophistry at best. First, the line of cases Collins refers to establishes a basis for equitable review of a final judgment, not for collaterally attacking such a judgment by characterizing the challenge as an independent state-law tort claim. More importantly, however, *Johnson*, *Arrowsmith*, and *Marshall* all predate the creation of Rule 60, which now governs the type of review envisioned by those cases but which Collins has studiously avoided. If anything, those cases should have made clear to Collins that its only appropriate recourse was to seek some sort of equitable review. Then, even minimal additional research should have lead Collins to the realization that equitable review of final judgments is now governed exclusively by Rule 60.

Collins further argues that *Bros Inc. v. W.E. Grace Manufacturing Co.*, 320 F.2d 594 (5th Cir. 1963), es-

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[11] *Arrowsmith v. Gleason*, 129 U.S. 86, 98, 95 S. Ct. 237, 32 L. Ed. 630 (1889); *Marshall v. Holmes*, 141 U.S. 589, 599-600, 12 S. Ct. 62, 35 L. Ed. 870 (1891); *Johnson v. Waters*, 111 U.S. 640, 647, 45 S. Ct. 619, 28 L.Ed. 547 (1884).

tablished Fifth Circuit precedent for the proposition that independent relief is available against a wrongdoer without attacking the final judgment as having been improperly obtained. Collins' reading of *Bros Inc.* is specious to say the least. For openers, that case was decided before the creation of the Federal Circuit, which now exercises exclusive appellate jurisdiction over patent disputes. Before that centralization of appeals of patent disputes, it was not uncommon for patents to be held invalid in one circuit but valid in another. This court in *Bros. Inc.* did not offer relief without attacking an appellate mandate as Collins strains to argue; rather, the *Bros Inc.* panel recognized that it could do nothing to alter an incorrect result reached by the 6th Circuit. In *Bros Inc.* we provided only limited relief by setting aside our *own* mandate and remanding to the district court to determine whether the patent should be validated within the 5th Circuit; and we did so by way of a Rule 60 motion![12] So, once again, any bona fide reading of the authority cited by Collins clearly undermines its theory and further convinces this court of the unreasonableness—and thus the frivolousness—of Collins' appeal.

Collins seeks to assure this court that it has great respect for the policies favoring repose and the finality of judgments, insisting, however, that it had no choice in this instance but to bring the underlying tort suit under the competing "maxim that where there is a wrong there is a remedy." But Collins also readily concedes that "[Rule] 60(b) would give [us] a remedy, your Honor. We don't dispute that." Collins is speaking out of both sides of its mouth: It posits that "you have to always balance repose against the desire to see that justice is done," yet, when asked why it chose not to seek to have justice done by way of a Rule 60 motion, Collins admitted in a rare moment of candor that it had hoped to recover punitive damages by bringing a state-law based

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[12] *Bros Inc.*, 320 F.2d at 607-608.

tort action. This faux "balancing act" purportedly undertaken by Collins troubles us deeply.

Its crocodile tears to the contrary notwithstanding, Collins' appeal to this court was, indeed, an attempt to purloin yet another bite at the same apple previously masticated; whether it was the fifth or merely the third or fourth is quibbling. We find it to be at least unreasonable to belabor the argument that Collins held a new and unbitten "fraud" apple in its hand.

We are thus more satisfied than ever that this appeal is one for which the imposition of sanctions is particularly appropriate: It reeks of anger, bitterness, and spite, all of which Collins disingenuously tries to legitimate by wrapping itself in the mantel of zealous but permissible advocacy. But, like the glass slipper that would not accommodate Cinderella's stepsisters' feet, that mantel will not fit Collins no matter how it may wriggle to squeeze into it. We are generally chary about imposing sanctions lest we chill aggressive advocacy, which lies at the heart of our adversarial system of justice. In this instance, however, we affirmatively endeavor to chill the kinds of abusive protraction of litigation that are clearly beyond the outer limits of appropriate advocacy, as exemplified in the instant appeal of *Collins II*.

C. *Lack of Jurisdiction*

Collins argues at great length that its appeal from the district court's decision was not frivolous because the appellate leave rule was supplanted by the Supreme Court's opinion in *Standard Oil Co. v. United States*, 429 U.S. 17 (1976), or that Collins at least had a reasonable basis for believing so. We need waste little paper and ink on Collins' argument on this point. The district court clearly and correctly explained in its opinion dismissing the tort suit that *Standard Oil* held only that:

> recall of an appellate mandate [is] not a prerequisite to relief for *subsequently discovered* fraud upon the

> *district* court where relief was sought under Fed. R. Civ. P. 60(b) in the same district court, because "the appellate mandate relates to the record and issues then before the court, and does not purport to deal with possible later events." [13]

It is clear beyond cavil that the district court skewered this argument by Collins; to have appealed that holding was quintessential frivolousness.

In *Collins I*, AT&T argued its interpretation of the Granello Article in its appellate brief to the Federal Circuit. The only reason proffered by Collins for failing to rebut AT&T's argument at this juncture is that Collins believed the Federal Circuit, for procedural reasons, could not reach the issue on appeal. Stated simply, by making a tactical decision that included a calculated risk, Collins gambled and lost. As for Collins' efforts to recoup that loss by pursuing *Collins II*, the law is settled that a district court is without jurisdiction to alter the mandate of a circuit court on the basis of matters included or includable in a prior appeal.[14]

Collins' reading of *Standard Oil* is not only unreasonable; it is also lacking in bona fides. Sanctions would be appropriate in this case, however, even if the appellate leave rule had been abolished by *Standard Oil*, as Collins contends. On appeal Collins has not sought the right to bring a Rule 60 motion in district court without first obtaining appellate leave. On the contrary, Collins has clearly and consistently demonstrated that it wants no part of any Rule 60 motion. Collins filed its fraud-on-the-court action in a different federal district court than the

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[13] Memorandum Opinion entered May 11, 1995 (emphasis in original), *quoting Standard Oil*, 429 U.S. at 18.

[14] *Seese v. Volkswagenwerk, A.G.*, 679 F.2d 336, 337 (5th Cir. 1982); *Eutectic Corp. v. Metco, Inc.*, 597 F.2d 32, 34 (5th Cir. 1979); *Tapco Products Co. v. Van Mark Products Corp.*, 466 F.2d 109, 110 (6th Cir. 1972).

one that had decided *Collins I*. In the Northern District of Texas, Collins went to great lengths to obfuscate the true nature of what it was doing when it filed and prosecuted *Collins II* in that court. Even when that ploy was unmasked and squelched by the court in *Collins II*, however, Collins nevertheless persisted in its vendetta, forging ahead with an appeal to this court in which Collins merely continued to belabor its defrocked fraud theory, hoping against hope that it might finally reach a sympathetic—or, more accurately, a gullible—ear.

D. *Subjective Good Faith—"The Lady Doth Protest Too Much, Methinks."* [15]

Collins attempts to bolster its position by arguing vain-gloriously that it should not be subjected to sanctions given that its attorneys consulted with other disinterested attorneys to assure themselves of the viability of their claims and legal positions both before filing the tort suit and then again before appealing to this court. Counsel for Collins collected and submitted affidavits from each of those other attorneys in an attempt to show that the former has acted in good faith throughout these proceedings.

As even the most sophisticated of modern diagnostic scanning and imaging devices do not let us probe the innermost thoughts of the brain, we have no palpable evidence to dispute Collins' self-serving insistence that it acted in subjective good faith. Indeed, on rehearing, Collins continues sanctimoniously to proclaim its subjective belief that its fraud claim is justified under the law. But passion and zeal are not shields against the consequences that flow from behaving unreasonably or in *objective* bad faith.[16] Regardless of any amount of sub-

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[15] William Shakespeare, *Hamlet*, act 3, sc. 2.

[16] *See Dreis & Krump Mfg. Co. v. International Ass'n of Machinists*, 802 F.2d 247, 255 (7th Cir. 1986), *quoted with approval* in *Coghlan*, 852 F.2d at 809.

jective good faith an appellant might profess, an appeal is frivolous if it is objectively unreasonable.[17] So, even if we were to credit the ostensible support that Collins' counsel drummed up from their brethren at the Bar through the affidavits filed herein—which we do not—those solicited testimonials gain counsel naught in the arena of objectivity.

III

CONCLUSION

Now that we have conducted the rehearing requested by Collins regarding the sanctions aspect of this case, we are more convinced than ever that the appeal in *Collins II* is sanctionably frivolous. Rule 38 sanctions for frivolous appeals may include single or double costs as well as attorneys' fees.[18] We have stated previously that "[e]ven greater sanctions may be imposed under appropriate circumstances."[19] In our original opinion we assessed sanctions against Collins in an amount equal to all costs

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[17] *See Coghlan*, 852 F.2d at 813, *quoting Brady v. Chemical Constr. Corp.*, 740 F.2d 195, 202 (2d Cir. 1984) ("[T]he Second Circuit has held that an honest belief in the merits of a claim, and the subjective feeling that a litigant has been denied a fair hearing, do not excuse an appellate brief that 'ignores significant issues and facts while deploying a smokescreen of irrelevant and tangential issues."); *Id.* at 809, *quoting Dries & Krump Mfg. Co. v. Int'l Ass'n of Machinists*, 802 F.2d 247, 255-56 (7th Cir. 1986) ("It is human nature to crave vindication of a passionately held position even if the position lacks an objectively reasonable basis in the law. Although we have no reason to believe that the company or its counsel was acting in bad faith, . . . the company's briefs and oral argument failed to identify any arguable error in the district court's decision. . . .").

[18] *See*, e.g., *Coghlan*, 852 F.2d at 812; *McDougal v. Commissioner*, 818 F.2d 453, 455 (5th Cir. 1987); *Stelly*, 761 F.2d at 1115; *Wright v. Commissioner*, 752 F.2d 1059, 1062 (1985); *Knoblauch v. Commissioner*, 752 F.2d 125, 128 n.4 (5th Cir.), *cert. denied*, 474 U.S. 830, 106 S. Ct. 95, 88 L.Ed.2d 78 (1985).

[19] *Stelly*, 761 F.2d at 1115-1116.

of the appeal, including the reasonable attorneys' fees of its opponent. After the Petition for Rehearing in protest of those sanctions was filed, we implicitly gave Collins the opportunity to re-think its position, accept the sanctions initially imposed, and withdraw its Petition for Rehearing, thereby sparing AT&T and this court further unproductive expenditures of time, money, and resources. But Collins was obviously not interested, obstinately pressing on with its vindicatory—and, we conclude, vindictive—crusade.

We can discern no justification, under the banner of vigorous advocacy or otherwise, for Collins' filing and prosecuting this unjustifiable appeal. Such prolongation of the case left AT&T no real choice but to undertake additional efforts and expend additional costs in researching, preparing for, and participating in the appeal and the rehearing; and the time and resources of this court were further strained in the process. Collins' protestations to the contrary notwithstanding, we are left with the distinct impression that the appeal was not simply frivolous, but that it was filed and prosecuted vindictively, vexatiously, and for purposes of harassment as well.

We therefore amend our original imposition of sanctions against Collins by assessing them jointly and severally against Collins and its trial and appellate counsel herein (but not its additional Louisiana attorneys who were retained for purposes of this rehearing only) as requested by said counsel, and imposing sanctions in a sum equal to the costs of the instant appeal, including, without limitation, AT&T's reasonable attorneys' fees incurred in opposing Collins' appeal and participating in this sanctions rehearing. It is our conclusion that this is the lightest sanction that we can impose and still attain the results we seek to achieve. The amount we find to be AT&T's reasonable attorneys' fees and related costs—which we now declare to be assessed under the aegis of FRAP 38—is $91,008.26. That sum, representing the

entire sanction assessed herein, shall be paid into the registry of this court within thirty (30) days following the filing of this opinion, in delinquency of which said sum shall bear interest from the date of said filing until paid in full, at the rate of 10% per annum.

AMENDED, and, as amended, AFFIRMED.

APPENDIX E

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

92-1201, -1294, -1302

COLLINS LICENSING, L.P.,
Plaintiff/Cross-Appellant,

v.

AMERICAN TELEPHONE AND TELEGRAPH COMPANY,
Defendant-Appellant,

DECIDED: November 5, 1993

BEFORE NIES, *Chief Judge,* PLAGER, *Circuit Judge,* and COHN, *District Judge.**

Per Curiam:

Collins Licensing, L.P., sued American Telephone and Telegraph Company (AT&T) in the District Court for the Western District of Texas for infringement of U.S. Patent No. 3,956,593 ('593 patent). After a jury trial, judgment was entered against AT&T in accordance with special verdicts that claims 29, 34, 37-39, 43 and 47-48 are not invalid and that AT&T had infringed only claim 29 of the asserted claims. The court further ruled that the patent was not unenforceable. Both parties appeal, seeking reversal of the rulings adverse to their positions.

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* Honorable Avern Cohn, District Judge for the Eastern District of Michigan, sitting by designation.

AT&T also appeals from the order of the district court holding it in contempt. Because we conclude that claim 29 is invalid and that the verdicts of non-infringement of the other asserted claims cannot be overturned, we *reverse* the judgment of liability. We *vacate* and *remand* for reconsideration of the contempt order.

I.

Validity of Claim 29

AT&T contends that three prior art references render claim 29 obvious. The first, A. Mack & B. Patrusky, *Time Division Digital Switch Matrix Technique Evaluation*, in IEEE International Conference on Communications 40-1 (June 1972), evaluates four different digital switch architectures for cost, reliability and grade of service. Another prior art reference, Guido Granello, *Switching Networks for PCM Time Division Exchanges*, in International Switching Symposium Record 81 (June 1972), analyzes the optimal switching configuration for tandem PCM exchanges.[1] The final piece of prior art, Rome Air Development Center, Final Technical Report RADC-TR-72-27, *Integrated Circuit/Message Switch Feasibility Model Development, Test and Evaluation* (1972) (hereinafter "Final Technical Report") consists of several volumes of technical reports on digital telephony. Because we hold that claim 29 would have been obvious, if not fully anticipated by the prior art, we agree that the district court erred by failing to grant AT&T's motion for judgment as a matter of law.

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[1] A tandem exchange is a telephone switch handling traffic between those switches in which subscriber's lines are terminated. Dennis Longley & Michael Shain, *Dictionary of Information Technology* 197, 331 (2d ed. 1986), PCM refrs to pulse code modulation, a technique for transmitting analog information in digital form through sampling, conversion of the sampled value into a fixed length binary number, and transmission of that number as a corresponding set of pulses. *Id.* at 278.

Claim 29, the only claim the jury found infringed by AT&T, provides:

> The switch of claim 27, wherein said individual time division digital signal switch element means are in two basic configurations, a space switch eleme[n]t and a time switch element interconnectable in pluralities of each said space and time switch elements through an extensive range of time division multiplex switch sizes and configurations.

The claim from which Claim 29 depends, Claim 27, was cancelled by the PTO during reexamination and thus cannot independently serve as a basis for infringement. Collins does not argue here that claim 27 is itself patentable over the aforementioned prior art. Claim 27 reads:

> In a switch for interconnecting between data incoming and outgoing digital time division multiplex communications lines:
>
> individual time division digital signal switch element control means, including,
>
> control store means for storage of the status of interstage links in a switch;
>
> cyclic retrieval means connected to said control store means for cyclic retrieval of stored status information from said control store means;
>
> control data source means interconnected with said control store means for interrogating and modifying information stored in said control store means;
>
> and step said control signal input means to said control store means for activating information retrieval and modification.

Claim 29 differs from claim 27 in that claim 29 adds a modular switch architecture. The dispute of the parties concerns whether the prior art teaches this modular architecture, i.e., a digital telephone switch with individually

controlled, distinct time and space switch components. Both the inventors during prosecution of the '593 patent, and Collins during the subsequent reexaminations, stressed the invention's use of standardized, individually controlled time and space switch components, which allow for flexibility in switch implementation. The specification of the '593 patent states that:

> It is . . . a principal object of this invention to provide a time space time (TST) switch system achieving significant improvements in operation and in minimized equipment costs, in using two basic modules, a time switching module and a space switching module . . . .
>
> Another object is to provide such a TST switch system wherein the two basic modules may be interconnected to realize virtually any size and configuration of a time division switch.

Collins later indicated that the patented invention employed "the ingenious and novel modularization of the time and space switch elements, associating *individual control stores with each element*." Request for Reexamination at 9 (June 21, 1989) (emphasis added).

Our examination of the prior art reveals that both Granello, *supra,* and the Final Technical Report, *supra,* teach individual space and time switch modules. Where depicting "[t]he graph representation of a three-stage network" in Figure 5, Granello, *supra* at 84, plainly illustrates that each stage is composed of multiple discrete components. While these modules are interconnected within a stage, and are further connected to other components in other stages, they are individually controlled, distinct modules. Granello explains that "[t]he graphs shown in Fig. 5 can be implemented as follows: i) Time-space-time (TST) implementation. Stages 1 and 3 are made up of time matrices, stage 2 is a space matrix." *Id.* at 85. Where the Final Technical Report refers to the

three stages of the TST switch, it indicates that "different primary, secondary and tertiary stages should be package[d] [sic] on separate modules . . . [with] any given primary, secondary or [sic, tertiary] function including control . . . packaged wholly on one to three cards . . . ." 3 Final Technical Report at 92. All three references further teach the advantages of a modular design, allowing flexible implementation of switches through different space and time switch combinations. Both Mack & Patrusky, *supra* at 40-5, and Granello, *supra* at 87, further provide data on cost, reliability and other factors for different sizes of differently configured switches. *See also* 3 Final Technical Report, *supra* at 92.

The additional limitations of claim 29 are taught within the prior art references. Mack & Patrusky, *supra* at 40-1, indicates that the architectural approach of the compared switches "had to be modular." The Final Technical Report also makes extensive use of a "basic module" for purposes of its analysis. 3 Final Techncial Report, *supra* at 73. The prior art references thus expressly teach one of skill in the art to employ uniform, interconnectible switch components. The tabular data that the references provide on different switches also indicates that no switch architecture predominates; instead, an optimal switch architecture varies depending upon the size of the subscriber base, traffic patterns, reliability concerns and other factors. In any event, a well known principle of design engineering is that a modular design is desirable to achieve flexibility in the modification of existing switches and the implementation of new ones.

In reaching this conclusion, we are not unmindful that on reexamination the PTO, after initial rejection of claim 29 based on Mack & Patrusky, *supra,* withdrew that rejection. However, the basis for allowance indicates a misunderstanding that the prior art did not disclose, *inter alia,* modular time and space switches under *individual* control. On the uncontrovertable record before us, we reach the

opposite conclusion. "[W]e see nothing untoward about the PTO upholding the validity of a reexamined patent which the . . . court later finds invalid. This is essentially what occurs when a court finds a patent invalid after the PTO has granted it." *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1428, 7 USPQ2d 1152, 1157 (Fed. Cir. 1988). We review a trial record which includes live testimony and cross-examination, none of which was before the examiner. The governing statute and regulations limit third party involvement in a reexamination to the initiation of the procedure. 35 U.S.C. §§ 304, 305 (1988); 37 C.F.R. § 1.510 (1992). Our precedent mandates that courts considering the validity of reexamined patents proceed on the record in the litigation, and not merely conform to or review exclusively the examiner's actions during the reexamination proceedings. *Greenwood v. Hattori Seiko Co.*, 900 F.2d 238, 241, 14 USPQ2d 1474, 1476 (Fed. Cir. 1990).

We also recognize the great deference due to jury verdicts. *Connell v. Sears, Roebuck & Co.*, 722 F.2d 1542, 1546, 220 USPQ 193, 196 (Fed. Cir. 1983). However, the jury would have had to find that the prior art does not show individual control of a time module or a space module. On this record, substantial evidence does not support such a finding. "Deference due a jury's fact findings in a civil case is not so great . . . as to require acceptance of findings where, as here, these findings are clearly and unquestionably not supported by substantial evidence. To do so would render a trial and the submission of evidence a farce." *Connell*, 722 F.2d at 1546, 220 USPQ at 196. Because the judgment cannot stand upon application of the statutory standard of 35 U.S.C. § 103 (if not § 102), we reverse the denial of AT&T's motion for judgment as a matter of law respecting the invalidity of claim 29. *See Newell Cos. v. Kenney Mfg. Co.*, 864 F.2d 757, 9 USPQ2d 1417 (Fed. Cir. 1988), *cert. denied*, 493 U.S. 814 (1989).

II.

Infringement

In its cross-appeal, Collins asserts that the jury erroneously found that AT&T did not infringe claims 34, 37-39, 43, and 47-48 of the '593 patent. On appeal, Collins argues only that those claims were literally infringed.

Claim 34 of the '593 patent provides (emphasis added):

> In a switch for interconnecting between data incoming and outgoing digital time division multiplex communication lines, said switch having both time and space stages and interstage links therebetween, the improvement comprising:
>
> a plurality of individual time division digital signal switch element control modules, each such module combined with an associated time signal path switching means of said switch for switching between the time slots of the inputs and outputs of a single digital time division multiplex communication line of said switch, *but said module not being combined with any space signal path switching means, or said module is combined with an associated space signal path switching means* of said switch for switching selected time slots from any of multiple time division digital multiplex communication lines of said switch to a single digital time division multiplex communication line, *but said module not being combined with any time signal path switching means of said switch,* to form a time or space switch element, each control module including its own control store means for storage of the status of said interstage links in said switch;
>
> a plurality of cyclic retrieval means, each connected to and combined with one of said control store means for cyclic retrieval of stored status information from said control store means;

> control data source means interconnected with said control store means for interrogating and modifying information stored in said control store means; and
>
> step control signal input means to said control store means for activating information retrieval and modification, whereby said switch is capable of distributed operation, allowing time switch elements to be physically separated from space switch elements of the switch and allowing space switch elements to be physically separated from time switch elements of said switch.

The remaining asserted claims, 37-39, 43 and 47-48, each ultimately depend from claim 34. Claim 38, claiming "[t]he improvement of the switch of claim 34 further characterized by said control store means being a random access memory," is typical.

We agree with AT&T that substantial evidence supports the jury's verdict that the 5ESS switch does not literally infringe claim 34. The focus of the dispute is on the limitations requiring separate time and space switch modules. Two witnesses for AT&T, Professor Stephen Szygenda and Mr. Ralph Wilson, testified that the TSIU time division module contains time and space switches subject to common control. Ample documentary evidence and trial exhibits, including technical literature, demonstrative charts and circuit diagrams, buttressed this testimony. Although Collins cross-examined AT&T's witnesses and offered its own testimony, principally to the end of establishing that the time and space switches of the accused device may also operate under individual control, a finding of infringement on that basis ignores the claim language that time and space switches must not be "combined with any time signal path switching means . . . ." Viewing all the evidence presented at trial in the light most favorable to AT&T, see *Read*, 970 F.2d at 823, 23

USPQ2d at 1432, we conclude that the jury reasonably determined that Collins did not prove by a preponderance of the evidence that the 5ESS switch literally met the properly interpreted language of claim 34.

Claim 34 is the only independent claim of the '593 patent that Collins asserts against AT&T. Because claim 34 is not literally infringed, no dependent claim can be literally infringed. *See Wahpeton Canvas Co. v. Frontier, Inc.*, 870 F.2d 1546, 1552 n.9, 10 USPQ2d 1201, 1207 n.9 (Fed. Cir. 1989). We thus conclude that a reasonable jury could only have found that AT&T did not infringe claims 34, 37-39, 43, and 47-48 of the '593 patent.

III.

Discovery Sanctions

AT&T also appeals the order of the district court holding it in contempt for abuse of discovery, contending that it was a criminal contempt sanction entered without the required procedural safeguards. According to AT&T, the district court failed to provide notice of the prosecution of a criminal contempt as mandated by Fed. R. Crim. P. 42(b).[2] Collins instead asserts that the contempt order was civil in nature and thus not requiring of notice.

A "contempt order . . . is characterized as either civil or criminal depending upon its primary purpose." *Lamar*

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[2] Fed. R. Crim. P. 42(b) provides:

> A criminal contempt . . . shall be prosecuted on notice. The notice shall state the time and place of hearing, allowing a reasonable time for the preparation of the defense, and shall state the essential facts constituting the criminal contempt charged and describe it as such. The notice shall be given orally by the judge in open court in the presence of the defendant, or, on application of the United States attorney or of an attorney appointed by the court for that purpose, by an order to show cause or an order of arrest. . . . Upon a verdict or finding of guilt the court shall enter an order fixing the punishment.

Fin. Corp. v. Adams, 918 F.2d 564, 566 (5th Cir. 1990); *accord Petroleos Mexicanos v. Crawford Enters.*, 826 F.2d 392, 399 (5th Cir. 1987); *Port v. Heard*, 764 F.2d 423, 426 (5th Cir. 1985); *In re Dinnan*, 625 F.2d 1146, 1149 (5th Cir. 1980). If the order has a punitive purpose and is intended to vindicate the authority of the court, it will be considered a criminal order. *Hicks v. Feiock*, 485 U.S. 624, 631-35 (1988); *United States v. United Mine Workers*, 330 U.S. 258, 302-03 (1947); *Lamar Fin. Corp.*, 918 F.2d at 566; *Port* 764 F.2d at 426; *Dinnan*, 625 F.2d at 1149; *In re Stewart*, 571 F.2d 958, 963 (5th Cir. 1978). A civil contempt sanction is instead intended "to coerce the contemnor into compliance with a court order, or to compenstae another party for the contemnor's violation." *Lamar Fin. Corp.*, 918 F.2d at 566; *accord Hicks*, 485 U.S. at 631-35; *United States v. United Mine Workers*, 330 U.S. at 303-04; *Port*, 764 F.2d at 426; *Dinnan*, 625 F.2d at 1149; *Stewart*, 571 F.2d at 963.

A principal distinction between the two sorts of orders is whether the imposed sanctions are absolute or conditional. *Hicks*, 485 U.S. at 633-35; *Lamar Fin. Corp.*, 918 F.2d at 566; *In re Rumaker*, 646 F.2d 870, 871 (5th Cir. 1980); *Dinnan*, 625 F.2d at 1149. A fine payable "regardless of purgation of the contempt could not be classified as other than punitive," and therefore as a criminal contempt sanction. *Port*, 764 F.2d at 426 (citations omitted). In contrast, an important factor indicating that a contempt adjudication is civil is the ability of the contemnor to avoid the sanction by complying with the order. *Spindelfabrik Suessen-Schurr, Stahlecker & Grill GmbH v. Schubert & Salzer Maschinenfabrik Aktiengesellschaft*, 903 F.2d 1568, 1578-79, 14 USPQ2d 1913, 1922 (Fed. Cir. 1990).

By its December 18, 1991 Order, the district court approved the magistrate judge's October 8, 1991 order sanctioning AT&T, which stated in part:

> In order to deter further abuses of discovery procedures, and, hopefully, to prevent further contentious violations of the Orders of the Court, IT IS ORDERED that Defendant AT&T shall, on or before October 10, 1991 at 12:00 p.m. Central Standard Time, pay to Plaintiff the sum of $50,000.00.

It is immediately apparent that the required payment could not be mitigated; AT&T could do nothing to purge its contempt. The unconditional nature of an order's sanctions weighs heavily against a finding of a coercive purpose. Although the Order names Collins Licensing as the recipient of this payment, we also cannot conclude that the court's purpose was compensatory. No evidence suggests that the $50,000 figure accounts for any actual expenses or other losses incurred by Collins Licensing due to AT&T's conduct during discovery. *United States v. United Mine Workers,* 330 U.S. at 304.

While the court's stated rationale was one of deterrence, rather than punishment, such characterizations do not control our determination. *Shillitani v. United States,* 384 U.S. 364, 369 (1966); *Rumaker,* 646 F.2d at 871; *Dinnan,* 625 F.2d at 1149. Indeed, we have noted that "most criminal punishment is intended, among other things, to deter the criminal from committing other crimes." *Spindelfabrik,* 903 F.2d at 1580, 14 USPQ2d at 1922-23; *see also Hicks,* 485 U.S. at 635-36 (noting the overlapping aspects of civil and criminal contempt). Even if we consider the district court to have possessed dual purposes when issuing its order, contempt orders containing both punitive and coercive aspects are generally to be considered criminal in nature. *Lamar Fin. Corp.,* 918 F.2d at 567; *Port,* 764 F.2d at 426; *Rumaker,* 646 F.2d at 872. *See also Union Tool Co. v. Wilson,* 259 U.S. 107, 110 (1922) ("Where a fine is imposed partly as compensation to the complainant and partly as punishment, the criminal feature of the order is dominant and fixes its character for purposes of review."). From our reading of the record, *see*

Rumaker, 646 F.2d at 871, we conclude that the order was at least partially criminal in nature and was entered without the appropriate procedural safeguards.

This outcome is unaltered by Collins' citation of *Brown v. Braddick*, 595 F.2d 961, 203 USPQ 95 (5th Cir. 1979), for the proposition that "[t]he absence of compliance with [Fed. R. Crim. P.] 42(b) supports an inference that the contempt order was intended to be civil." *Id.*, 595 F.2d at 965 n.6, 203 USPQ at 100 n.6 (citation omitted). In *Brown*, an appeal stemming from discovery in a patent interference, the Court of Appeals stayed the district court's contempt proceedings. *Id.*, 595 F.2d at 964, 203 USPQ at 99. But unlike the instant case, the district court in *Brown* had not yet issued an order. Where a contempt order has issued, we are compelled by *Hicks*, 485 U.S. 624 (1988), to reach "conclusions about the purposes for which relief is imposed . . . from an examination of the character of the relief itself." *Id.* at 636.

Because we conclude that the district court imposed criminal sanctions against AT&T, we vacate that portion of its contempt order ordering the payment of $50,000.00 to Collins on or before October 10, 1991. However, we do not preclude the district court from sanctioning any misconduct by AT&T committed prior to October 7, 1991.

IV.

Costs

Each party to bear their own costs.

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

ORDER

A combined petition for rehearing and suggestion for rehearing in banc having been filed by the CROSS-APPELLANT, and a response thereto having been invited by the court and filed by the APPELLANT, and the petition for rehearing having been referred to the panel that heard the appeal, and thereafter the suggestion for rehearing in banc and response having been referred to the circuit judges who are in regular active service,

UPON CONSIDERATION THEREOF, it is

ORDERED that the petition for rehearing be, and the same hereby is, DENIED and it is further

ORDERED that the suggestion for rehearing in banc be, and the same hereby is, DECLINED.

The mandate of the court will issue on January 18, 1994.

FOR THE COURT,
FRANCIS X. GINDHART
Clerk

By _____
DIANE M. FRYE
Chief Deputy Clerk

Dated: January 11, 1994

APPENDIX F

[Filed Dec. 30, 1994]

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

Civil Action No. 394CV2842-D
Jury Demanded

ARTHUR A. COLLINS, INC.,
Plaintiff,

v.

AMERICAN TELEPHONE AND TELEGRAPH COMPANY,
Defendant.

COMPLAINT

1. Plaintiff, Arthur A. Collins, Inc., is an Iowa corporation, qualified to do business in Texas and with its office in Dallas, Texas.

2. Defendant, American Telephone and Telegraph Company ("AT&T"), is a New York corporation having its principle place of business in New York, New York. AT&T is doing business in this judicial district.

3. This Court has jurisdiction pursuant to 28 U.S.C. § 1332; diversity jurisdiction exists and the amount in controversy is in excess of $50,000, exclusive of interest and costs. Venue is proper in this judicial district.

4. Collins Licensing L.P., a Texas limited partnership, reassigned U.S. Patent 3,956,593 and assigned all its rights pertaining to the subject matter of this lawsuit to

Arthur A. Collins, Inc. (hereinafter Collins Licensing L.P., its predecessors, and Arthur A. Collins, Inc. are referred to as "Collins"). Plaintiff brings this action in its own right and pursuant to the assignment.

INTRODUCTION

5. This case arises out of AT&T's fraudulent scheme to nullify claim 29 of the Collins U.S. Patent No. 3,956,593. The scheme included fraudulent representations to the United States Patent and Trademark Office ("Patent Office") and to the United States Court of Appeals for the Federal Circuit ("Federal Circuit"). The fraudulent scheme was initially successful in the Patent Office and was ultimately successful in the Federal Circuit where claim 29 of the Collins patent was held invalid. As a consequence, Collins was deprived of its judgment against AT&T for infringement of claim 29 and for damages of more than $34 million.

6. AT&T, relying on its superior reputation for scientific and technical expertise in telecommunications, falsely represented the content of a scientific article first to the Patent Office and later to the Federal Circuit. Since the publication of the article preceded the time of the Collins invention, the false representations, if accepted as true, would invalidate claim 29 of the patent.

7. Initially, the Patent Office, on AT&T's Reexamination Request, accepted AT&T's misrepresentations and issued a preliminary rejection of claim 29. AT&T then relied on the Patent Office's preliminary rejection in the Federal Circuit as authoritative support for the verity of AT&T's representations to the court. The Federal Circuit adopted AT&T's representations as facts and in accordance therewith invalidated claim 29 of the patent and reversed the $34 million judgment.

8. The significance of the case is not confined to these particular litigants. Tampering with the administration of

the Patent Office and the courts is a matter of great moment to the public welfare and to the integrity of both the United States patent system and the administration of justice.

BACKGROUND

9. In the early 1970's, Arthur A. Collins envisioned that one day the telephone network in the United States would become entirely digital, a vision that has largely proved to be true today. Long recognized as a pioneer in communications technology, as founder and forty year president of Collins Radio Co. (which, e.g., was the leading supplier of NASA's communications systems for Mercury, Gemini and Apollo), Mr. Collins subsequently formed a research and development company, Arthur A. Collins, Inc., to design a digital telecommunications network. Eight U.S. patents issued from that research, including U.S. Patent No. 3,956,593 ("Collins patent" or "'593 patent"), which was awarded in 1976.[1]

10. The invention of the Collins patent pertains to telephone switches that connect and disconnect the telephone calls in a particular area or system. A switch for a "local office" switches all the incoming and outgoing telephone calls in a certain geographical area and typically handles the telephone traffic for 5,000 to 100,000 telephone subscribers.

11. The invention of claim 29 of the Collins patent lies in an architecture for a digital telephone switch. The patented switch is constructed of individual switching modules (technically known as "time" modules and "space" modules) that can be combined to build virtually

---

[1] In 1986, Arthur A. Collins, Inc. transferred title to the '593 patent to the predecessor of Collins Licensing L.P., retaining the right to 50% of the patent's income and recoveries. In December, 1994, the patent was reassigned and all rights pertaining to this lawsuit were assigned to Arthur A. Collins, Inc.

any size or configuration of telephone switch. The resulting modular architecture provides the ability to "grow" the switch, i.e., to expand the size of the switch's capacity as the need for telephone service increases. The Collins invention also provides the ability to physically separate portions of the switch, e.g., to locate part of the switching capability closer to the telephones being serviced. Finally, the invention provides enhanced system reliability and reduced network and maintenance costs.

12. In the 1980's, AT&T introduced its "5ESS" local telephone office switch based on Collins' patented architecture. Using the patented modularity, the 5ESS replaced three different size AT&T local office switches (metropolitan, suburban and rural), and became AT&T's "Flagship" product with sales in the tens of billions of dollars. In Collins' 1990 suit, AT&T's 5ESS switch was ruled to infringe claim 29 of the Collins patent.

CHRONICLE OF AT&T'S DECEPTIVE CONDUCT

13. In 1986, Collins approached AT&T and offered to license the 5ESS under the Collins patent. Protracted, but inclusive discussions between the parties ensued over the next three years as AT&T took the position that the patent was invalid. AT&T principally relied on a scientific article, which was published before the Collins invention, entitled *Switching Networks For PCM Time Division Exchanges* by Guido Granello ("Granello article").

14. In June, 1989, Collins filed a Request for Reexamination of claim 29 of the patent filed in the Patent Office. Through such a request a patent owner (or any member of the public) can ask the Patent Office to review submitted "prior art," such as the Granello article, to redetermine whether the patent claim in question is valid and either confirm or cancel the patent claim. Relying on AT&T's contentions, the principal prior art submitted by Collins to the Patent Office was the Granello article.

Numerous other prior art references were also cited by Collins.

15. Collins advised AT&T of the Reexamination Request and invited AT&T to submit its position to the Patent Office but AT&T declined to participate.

16. In February, 1990, the Patent Office, after extensively reexamining the patent in light of Granello and some 80 other prior art references, determined that claim 29 was valid and should be confirmed.

17. In April, 1990, one of the AT&T patent attorneys, Frederick Padden, wrote to Collins contending again that the Granello article invalidated the Collins patent. Attached to the letter was a "claim chart" ("the lawyer's claim chart") in which Mr. Padden presented his argument for asserting that Figure 5 of the Granello article invalidated claim 29 of the Collins patent.

18. Specifically the lawyer's claim chart contended:

> "Fig. 5a) discloses a time-space-time network configuration comprising a plurality of time switches of stages 1 and 3 and a plurality of space switches in stage 2. . . ."

This statement is false.

19. The falsity of this statement is verifiable and irrefutable, as evidenced, e.g., by Exhibit A attached hereto and more specifically described in paragraphs 50-56 below.

20. In December, 1990, Collins brought suit against AT&T for infringement of the Collins patent in the United States District Court for the Western District of Texas, Civil Action No. 90-201.

21. AT&T responded, *inter alia*, by alleging that claim 29 of the patent was invalid relying principally on the Granello article, the lawyer's claim chart, and the misstatements about the content of Figure 5 of Granello.

22. In June, 1991, AT&T filed a Request for Reexamination in the Patent Office urging that claim 29 be invalidated based on the Granello article and relying specifically on the lawyer's claim chart and the misstatement about the content of Figure 5.

23. Throughout 1991 during discovery in the lawsuit, AT&T contended that the Granello article invalidated the Collins patent and relied specifically on the lawyer's claim chart and the misstatements about the content of Figure 5.

24. In January, 1992, the lawsuit went to trial and Collins' scientific expert, Professor Gibson, testified regarding the Granello article. Professor Gibson specifically testified that Figure 5 of Granello does not show a switch architecture but a mathematical representation for analyzing the switch. AT&T did not cross examine Gibson on this testimony.

25. At the trial, AT&T abandoned its contention that the Granello article invalidated the Collins patent and affirmatively took the contrary position, establishing through testimony and demonstrative exhibits that the Granello article did not have the individual time and space modules of the Collins patent.

26. At the trial, the only mention of the lawyer's claim chart, which was one of AT&T's over 500 exhibits, was by Collins in cross examining Mr. Padden about AT&T's misrepresentations to the Patent Office and AT&T's inconsistent positions at trial and in the Patent Office. At no time during the trial, and nowhere in the post-trial papers, did AT&T mention the lawyer's claim chart, the statements about Figure 5 of Granello, or Figure 5 itself. Neither Granello Figure 5 nor the lawyer's claim chart was ever shown to the jury during the trial.

27. The jury returned a verdict in favor of Collins finding claim 29 of the Collins patent valid and infringed and awarding damages of $34,687,500. Judgment was entered on March 27, 1992.

28. AT&T filed a notice of appeal to the Court of Appeals for the Federal Circuit.

29. At the time of the trial, the Patent Office reexamination was still proceeding. AT&T did not, at that time or later, apprise the Patent Office of its new reversed position taken at the trial regarding the Granello article; did not submit to the Patent Office any of AT&T's trial evidence pertaining to the Granello article vis-a-vis the validity of the Collins patent; and did not withdraw from the Patent Office either the lawyer's claim chart or the false representation about the content of Figure 5 of the Granello article.

30. In May of 1992, the Patent Office issued an "office action" in the reexamination proceeding rejecting claim 29 of the Collins patent as invalid. The rejection was based *inter alia* on the Granello article, essentially adopting the lawyer's claim chart and the false representation about the content of Figure 5.

31. On June 15, 1992, Collins responded to the Patent Office's rejection by demonstrating the falsity of AT&T's representations about the Granello article, specifically the lawyer's claim chart and the representation about Figure 5. A copy of the response was served on AT&T on June 25, 1992.

32. On July 10, 1992, AT&T filed its opening brief in its appeal to the Federal Circuit primarily focusing on the infringement issue. In addition, relying on the misstatements contained in the lawyer's claim chart, the Granello article, and other misrepresentations, AT&T contended that the jury verdict of validity of claim 29 should be reversed.

33. Trying to support its false representations about Granello to the Federal Circuit, AT&T relied on the Patent Office's preliminary rejection of claim 29 based on Granello in the then pending reexamination, stating: "Padden's analysis [the lawyer's claim chart] has now

been adopted by the PATENT AND TRADEMARK OFFICE." AT&T did not inform the Federal Circuit that the preliminary rejection was the result, inter alia, of AT&T's false representations and failures to disclose to the Patent Office.

34. To add further plausibility to its false representations about the Cranello scientific article, AT&T relied on its superior reputation for scientific and technical expertise in the field of telecommunication, advising the Federal Circuit that AT&T's Bell Laboratories was "a world class research facility with more than 3,000 Ph.D's and seven Nobel Prize recipients."

35. Five days after filing this brief with the Federal Circuit, AT&T took a different position with the Patent Office. AT&T filed another Request for Reexamination in the Patent Office to respond to the arguments presented by Collins. In the Request, AT&T submitted a new claim chart on Granello Figure 5. Deleted from the new claim chart was the false representation that AT&T had been making to the Patent Office, the Federal Circuit and Collins, viz.: "Fig. 5a) discloses a time-space-time network configuration comprising a plurality of time switches in stage 2. . . ."

36. AT&T did not advise the Patent Office (or Collins) of the crucial change in the content of the new Granello claim chart and no reference was made to the earlier false lawyer's claim chart. AT&T did not tell the Patent Office that it was correcting the false representation in the original lawyer's claim chart.

37. AT&T did not then or later advise the Federal Circuit that it had made this crucial change in its representations to the Patent Office.

38. AT&T did not then or later make the crucial change in its representation to the Federal Circuit that it had made to the Patent Office.

39. In the Federal Circuit, Collins' responsive brief explained that the Granello defense could not be presented on appeal because AT&T had not presented its Granello Figure 5 argument in the trial court; that AT&T had affirmatively submitted trial evidence that established that the Granello article did not have the individual time and space modules of the Collins patent; and that AT&T had confirmed to the jury in closing argument that it was not contending that the Granello article disclosed the invention of the Collins patent.

40. AT&T, in its reply brief, falsely represented: that Granello Figure 5 invalidated the Collins patent; that Padden had so testified; and that the lawyer's claim chart proved its assertion.

41. On February 1, 1993, at the oral argument in the Federal Circuit, almost the entire hearing was devoted to the issue of infringement.

42. On February 24, 1993, the Patent Office withdrew its rejection of claim 29 of the Collins patent over the Granello article and confirmed the validity of claim 29.

43. On August 25, 1993, AT&T petitioned the Commissioner of Patents to initiate yet another reexamination. AT&T did not serve or provide a copy of this petition to Collins, and Collins did not know that such a petition was filed until the week after November 4, 1993.

44. On November 4, 1993, the Patent Office denied AT&T's petition to the Commissioner of Patents as contrary to the rules of the Patent Office. The petition itself was returned to AT&T and the Patent Office did not keep a copy of it. When Collins learned of the petition, it made repeated requests to AT&T for a copy but AT&T refused to furnish it to Collins. To date, Collins has still not seen the petition.

45. On November 5, 1993, the Federal Circuit entered its decision on AT&T's appeal: It invalidated claim 29 of the Collins patent and reversed the $34 million

judgment. In so doing, the court adopted AT&T's false representations about the content of Figure 5 of the Granello article, stating: "Where depicting '[t]he graph representation of a three-stage network' in Figure 5, Granello, supra at 84, plainly illustrates that each stage is composed of multiple discrete components. While these modules are interconnected within a stage, and are further connected to other components in other stages, they are individually controlled, distinct modules." This statement is wrong.

46. On November 19, 1993, Collins filed a Petition for Rehearing and Suggestion for Rehearing In Banc in which it explained, inter alia, AT&T's deception and mischaracterization of Figure 5 of the Granello article.

47. Collins also submitted a motion to supplement the record with the amicus letters of five preeminent engineers and educators in the telecommunications field that established that the court's finding and AT&T's statements about the content of the Figure 5 of Granello were false. AT&T opposed the motion.

48. The Federal Circuit denied Collins' motion to supplement the record with the amicus letters and declined to consider the amicus letters addressing the merits of the court's factual findings.

49. The Federal Circuit requested AT&T to respond to the petition and suggestion. On December 23, 1993, AT&T filed its response to the petition, in which, inter alia, it reiterated its false representation concerning the content of Figure 5. AT&T again referred the court to the false lawyer's claim chart and characterized it as an exhaustive analysis of invalidating force and important evidence for the jury. This analysis is wrong and AT&T knew it was wrong. AT&T also refused to comment on the amicus letters because the court would not consider them. AT&T has never presented any opinion of any qualified expert that the lawyer's claim chart was correct. On January 11, 1994, the Federal Circuit denied Collins' petition and suggestion.

THE FALSITY OF AT&T'S REPRESENTATIONS ABOUT THE CONTENT OF FIGURE 5

50. AT&T's representation to the Patent Office and to the Federal Circuit that in the Granello article,

> "Fig. 5a) discloses a time-space-time network configuration comprising a plurality of time switches of stages 1 and 3 and a plurality of space switches in stage 2 . . ."

is indisputably false.

51. This representation characterizes Granello Figure 5 as depicting a physical network structure and implementation, but Figure 5 is a graph theory model which cannot and does not define such physical structure or implementation.

52. Granello Figure 5 is a Lee graph, a mathematical representation that provides for graph theory modeling of telephone switching networks. Lee graphs do not define physical structure or implementation. For example, the Lee graph of Figure 5 does not depict the physical structure and implementation of a network with a plurality of space switches in stage 2. Rather it illustrates in an abstract, graph form, multiple paths existing at different times through a network.

53. Lee graph models for switching networks are named after C.Y. Lee of AT&T Bell Telephone Laboratories who first suggested this analysis technique in a landmark 1955 AT&T Bell System Technical Journal paper (*Analysis of Switching Networks*, Vol. 34, pp. 1287-1315).

54. A Lee graph is only a mathematical abstraction and is not a pictorial representation of a physical switch. Lee states on page 1288 of his paper, "The mathematical model used for a switching network is a probability linear graph introduced in this paper."

55. A Lee graph does not define the physical implementation, modularity, or physical structure of a switch;

rather, as stated by Lee himself, it is a mathematical model. As stated by Granello, graphs like Figure 5 permit studying the switching capability of a network independent of its physical implementation.

56. The falsity of AT&T's representations about the content of Granello Figure 5 is manifest to those skilled in the art of digital switched networks. Attached as Exhibit A are the amicus letters and backgrounds of the following five preeminent telecommunications engineers and educators confirming the falsity of AT&T's representations: Dr. Thomas L. Martin Jr., President Emeritus of the Illinois Institute of Technology (IIT); Dr. Andrew P. Sage, Dean of the George Mason University School of Information Technology and Engineering: Dr. Mischa Schwartz, Professor of Electrical Engineering at Columbia University; Dr. Robert R. Fossum, Professor of Electrical Engineering at Southern Methodist University; and Dr. John L. Fike, Associate Professor in Electrical Engineering Technology at Texas A&M University.

AT&T'S KNOWLEDGE OF THE TRUTH REGARDING FIGURE 5

57. AT&T knew that it was making, and knew that it had made, false representations to the Patent Office and to the Federal Circuit regarding the contents of Figure 5 of the Granello article. Furthermore, AT&T knew that it was further misrepresenting the contents of Figure 5 to the Patent Office and the Federal Circuit by not informing them that its prior representations were false.

58. Anyone skilled in the art of digital switched network design and analysis would know that Figure 5 does not define the physical implementation, structure or modularity of a switch.

59. Anyone skilled in the art of digital switched networks, upon reading the Granello article and the representation that AT&T made to the Patent Office and the

Federal Circuit about the content of Figure 5 of Granello, would know that AT&T's representations were false.

60. Anyone knowledgeable of the Lee graph, which is for analysis of telephone switching networks, would know that a Lee graph does not define the physical implementation, structure or modularity of a switch.

61. At all times here relevant, AT&T was a world leader in telephone switching and the analysis of telephone switching networks and had knowledge of Lee graphs.

62. At all times here relevant, there were numerous AT&T engineers, technicians, consultants and others who were skilled in the art of digital switched networks.

63. At all times here relevant, there were numerous AT&T engineers, technicians, consultants and others knowledgeable of the Lee graph.

64. Lee graph modeling of switching networks is covered at length in a book by Arthur A. Collins entitled *Telecommunications—A Time for Innovation.* AT&T ordered and received some 35 copies of this book.

65. Lee graphs are used extensively in publications of AT&T engineers and scientists including many articles in AT&T's own technical journals. In addition to the landmark paper of C.Y. Lee cited above, other AT&T authors of pertinent AT&T journal papers include R.S. Krupp, F.K. Hwang, F.R.K. Chung, A.M. Odlyzko and T.C. Liang. R.S. Krupp is also the named inventor of AT&T U.S. Patent No. 3,743, 789 that makes use of graph theory models for digital switch analysis and is cited in the Collins patent. Dr. Bruce Briley of AT&T Bell Laboratories authored a book entitled Introduction to Telephone Switching containing material on graph theory modeling for telephone switching networks. On information and belief, Dr. Briley worked in the group that designed the AT&T No. 5 ESS, the infringing switching system in the subject lawsuit.

66. During the Collins v. AT&T patent litigation, AT&T invested substantial amounts of time and money, to investigate, analyze and develop its contention that the Collins patent was invalid, including consulting with numerous engineers and others that were skilled in the art of digital switched networks and knowledgeable of the Lee graph.

67. Throughout the discovery period in the lawsuit, AT&T relied principally upon the Granello article for its invalidity defense; then, at trial, AT&T abandoned the Granello prior art defense and affirmatively took the position that the teachings of Granello were different from the Collins patented invention. In closing arguments to the jury, AT&T confirmed that it was not contending that the Granello article discloses the invention of the Collins patent.

68. On information and belief, AT&T's decision to abandon the Granello defense at trial as support for its invalidity contention was made by AT&T's representatives after they had been advised that Granello Figure 5 did not teach the Collins invention and that AT&T's representations about the content of Granello Figure 5 were false.

69. AT&T heard the testimony of Professor Gibson at the trial that Figure 5 of the Granello article does not show a switch architecture but is a mathematical representation for analyzing switches.

70. AT&T was served with a copy of Collins' June 15, 1992 response to the Patent Office's rejection of claim 29, in which Collins explained that AT&T's representations to the Patent Office about the contents of Figure 5 of Granello were false.

71. After receiving Collins' response, AT&T presented a new claim chart on Granello Figure 5 to the Patent Office in which the false representations about the content of Figure 5 were deleted.

72. AT&T was served with a copy of Collins' Petition for Rehearing and Suggestion for Rehearing In Banc to the Federal Circuit in which Collins explained that AT&T's representations to the Federal Circuit about the contents of Figure 5 of Granello and the Federal Circuit's adoption thereof, were false.

73. AT&T was served with a copy of Collins' motions to the Federal Circuit, filed at the same time as the Petition for Rehearing, seeking to amend the appellate record by adding the amicus letters from five preeminent telecommunications engineers and educators showing that AT&T's representations about the content of Granello Figure 5, and the Federal Circuit's adoption thereof, were false (see Exhibit A hereto). These engineers are variously a past president of a major university, members of the National Academy of Engineering, deans of prominent engineering schools, Fellows of the Institute of Electrical and Electronic Engineers (IEEE) and of the American Association for the Advancement of Science, university professors, authors of numerous engineering reference and text books, and a honoree of IEEE as one of the ten outstanding all-time engineering educators.

74. As a consequence of AT&T's fraudulent scheme to invalidate claim 29 of the Collins patent, the Federal Circuit ruled that claim 29 was invalid.

75. As a consequence of AT&T's fraudulent scheme to invalidate claim 29 of the Collins patent, Collins has suffered at least the following damages:

a) it was deprived of its judgment against AT&T in the amount of $34,687,500;

b) it was deprived of the post-judgment interest on the judgment;

c) it was deprived of $500,000 from a licensee under the Collins patent, the payment of which was contingent upon the outcome of the appeal in the Federal Circuit;

d) it was and continues to be deprived of the use and value of the monies that would have been collected under a), b) and c) above; and

e) it has been hampered in its efforts to enforce the Collins patent against other infringers.

COUNT I

INTENTIONAL INJURIOUS FALSEHOODS

76. Collins incorporates paragraphs 1-75 above as if restated here.

77. AT&T perpetrated a scheme to nullify claim 29 of the Collins patent.

78. AT&T made false statements to third-parties, namely the United States Patent and Trademark Office and the Court of Appeals for the Federal Circuit.

79. AT&T's false statements harmed Collins.

80. AT&T made the false statements knowing that the statements were false, or with reckless disregard of the falsity of the statements.

81. AT&T's false statements were the actual and proximate cause of Collins' injury including, but not limited to, the damages set forth in paragraph 75 above.

COUNT II

INTENTIONAL INTERFERENCE WITH PROTECTED PROPERTY RIGHTS

82. Collins incorporates paragraphs 1-75 above as if restated here.

83. AT&T perpetrated a scheme to nullify claim 29 of the Collins patent.

84. AT&T intentionally made false statements that injured Collins legally protected property interest. Such

protected property includes Collins judgment in the amount of $34.6 million, the Collins patent, and Collins' business relationships with its licensees and potential licensees.

85. AT&T's false statements were the proximate cause of Collins' injury including, but not limited to, the damages set forth in paragraph 75 above.

COUNT III

FRAUD

86. Collins incorporates paragraphs 1-75 as if restated here.

87. AT&T perpetrated a scheme to nullify claim 29 of the Collins patent.

88. AT&T made the false statements knowing that the statements were false, or with reckless disregard of the falsity of the statements.

89. AT&T made its false representations to the United States Patent and Trademark Office and to the Court of Appeals for the Federal Circuit with the intent to induce the Patent Office and the Federal Circuit to rely upon such representations.

90. The Patent Office, as an agent and fiduciary for Collins and the public, relied on AT&T's misrepresentations.

91. The Federal Circuit, as an agent and fiduciary for Collins and the public, relied on AT&T's misrepresentations.

92. AT&T owed a duty of candor and a fiduciary obligation to act in good faith to the Patent Office as a requester in the reexamination and to the Federal Circuit as a party to an appeal before that Court.

93. AT&T breached its agency and fiduciary obligations and its duty of candor and duty of good faith.

94. AT&T's false statements were the actual and proximate cause of Collins' injury including, but not limited to, the damages set forth in paragraph 75 above.

COUNT IV

FRAUD ON THE GOVERNMENT

95. Collins incorporates paragraphs 1-75 above as if restated here, and further states based upon knowledge, information, and belief formed after reasonable inquiry in fact and law, that the law ought to allow Collins' recovery for AT&T's malfeasance in committing the tort of Fraud on the Government. This count while not recognized as a specifically identified tort, meets the accepted criteria to state a cause of action in tort, and therefore, by application of established jurisprudence, the law should be extended to specifically embrace the tort of Fraud on the Government.

96. AT&T made material false statements of fact to the Government of the United States.

97. AT&T made the false statements knowing that the statements were false, or with reckless disregard of the falsity of the statements.

98. The Government of the United States reasonably relied on those false statements.

99. AT&T made those false statements with the intent that the Government would rely on them.

100. AT&T's false statements to the Government, and the Government's reliance, necessarily constitute wrongs against those Government institutions set up to protect and safeguard the public.

101. AT&T's false statements were the actual and proximate cause of Collins' injury including, but not limited to, the damages set forth in paragraph 75 above.

PUNITIVE DAMAGE CLAIM

102. Collins incorporates paragraphs 1-75 above as if restated here.

103. AT&T has repeatedly made false statements to the Patent Office and the Federal Circuit. Both institutions require full and truthful disclosures, and without such truthfulness the integrity of the patent system and the judicial system is undermined and demeaned.

104. AT&T must be penalized for its conduct to deter AT&T and others from engaging in such conduct in the future.

WHEREFORE, Plaintiff prays that the Court enter judgment in favor of Plaintiff and against Defendant:

(a) awarding Plaintiff actual damages pursuant to COUNTS I-IV plus interest, costs and attorney fees;

(b) awarding Plaintiff punitive damages; and

(c) ordering such other relief as the Court deems proper.

JURY DEMAND

Arthur A. Collins, Inc. requests that all issues be tried by jury.

December 30, 1994.

Respectfully submitted,

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One of Plaintiff's Attorneys

No. 96-1290

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IN THE
Supreme Court of the United States
OCTOBER TERM, 1996

ARTHUR A. COLLINS, INC.,
Petitioner,
v.
AMERICAN TELEPHONE AND TELEGRAPH COMPANY,
Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Fifth Circuit

---

BRIEF IN OPPOSITION ON BEHALF OF LUCENT TECHNOLOGIES, INC. REAL PARTY IN INTEREST

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March 17, 1997

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QUESTIONS PRESENTED

1. Whether the court below properly held that a state-law tort suit that seeks a determination that an earlier, final judgment of an appellate court is "wrong" is necessarily a collateral attack on the prior judgment, and that such a tort suit cannot proceed unless the plaintiff first obtains equitable relief from the prior judgment.

2. Whether, in its alternative ruling, the court below properly applied well-settled principles of collateral estoppel to the unique facts of this case.

3. Whether the court below properly sanctioned petitioner for persisting in efforts to nullify a ruling of the Federal Circuit under the guise of a state-law tort action designed to evade the limitations governing equitable relief from judgment.

STATEMENT REQUIRED BY RULE 29.6

Between the time the Fifth Circuit issued its first and second opinions in this case, AT&T divested itself of certain lines of business, which were transferred to Lucent Technologies, Inc. ("Lucent"). Pursuant to that divestiture, all rights and obligations of this litigation were assigned to Lucent. As a result, the nominal respondent in this action, American Telephone and Telegraph Company (now known as AT&T Corp.) has no interest in the litigation, and the real party in interest is Lucent. Out of an abundance of caution, this statement provides the information required by Rule 29.6 for both AT&T Corp. and Lucent.

Lucent Technologies, Inc. has no subsidiaries. It owns an equity interest in the following publicly traded company:

Triquint Semiconductor, Inc.

AT&T Corp. has an equity interest in the following publicly traded companies:

LIN Television Corporation;
American Mobile Satellite Corporation;
PriCellular, Inc.;
General Magic, Inc.;
Novell, Inc.;
Lanser Wireless Inc. (Canada); and
SmartTone Telecommunications Holdings Ltd. (Hong Kong)

AT&T Corp. owns an interest in the following non-publicly traded company, which has public debt outstanding:

AT&T Credit Holdings, Inc.

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Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Fifth Circuit

---

BRIEF IN OPPOSITION ON BEHALF OF LUCENT TECHNOLOGIES, INC. REAL PARTY IN INTEREST

The unpublished decisions below do not conflict with the decisions of this or any other court and raise no issues worthy of this Court's review. In an effort to show otherwise, petitioner mischaracterizes both the lower court's ruling and the real nature of this lawsuit, which is an improper attempt to nullify a final judgment of the Federal Circuit through a state-law tort action. In that action, petitioner alleges that respondent made "fraudulent" *inter partes* arguments to the Federal Circuit, which in turn made a finding that is "wrong." The courts below properly held that petitioner cannot maintain such a "tort" suit unless and until it first obtains equitable relief from the Federal Circuit's judgment. This unremarkable ruling

is consistent with this Court's decisions, the decisions of other courts of appeals and the provisions of Rule 60(b), all of which confirm the frivolous nature of petitioner's claims. The courts below also ruled that petitioner's claims are barred by collateral estoppel. This decision, which is based on the unique facts of this case, is likewise entirely correct and raises no issues requiring this Court's attention.

COUNTERSTATEMENT

1. This suit grows out of a prior patent infringement action that petitioner, Arthur A. Collins, Inc. ("Collins"), instituted against AT&T Corp. ("AT&T")[1] in the United States District Court for the Western District of Texas. Pet. App. 50a. During the trial in this prior litigation, respondent maintained, *inter alia*, that claim 29 of Collins' patent was invalid in light of an article written by Guido Granello entitled *Switching Networks for PCM Time Division Exchanges* ("the Granello reference"). Pet. at 3; *see also* Pet. App. 49a-50a. The Granello reference is a legitimate "prior art" reference that was admitted into evidence, and Collins cross-examined AT&T's expert witness about the reference during the trial. AT&T's Resp. to Collins' Pet. for Reh'g in the Fed. Cir. at 1-2. At the conclusion of the trial, Collins obtained a judgment upon a jury verdict of over $34 million for infringement of claim 29 of Collins' patent, which the jury found to be valid.

AT&T appealed that judgment and argued in its opening brief to the Federal Circuit that claim 29 was invalid in light of the Granello reference. Pet. at 4.[2] Petitioner

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[1] Between the time the Fifth Circuit issued its first and second opinions in this case, AT&T divested itself of certain lines of business, which were transferred to Lucent Technologies, Inc. ("Lucent"). Pursuant to that divestiture, this litigation was assigned to Lucent.

[2] In its opening brief, AT&T also noted that the Patent and Trademark Office ("PTO") had concluded, in a reexamination proceeding AT&T had initiated, that claim 29 was invalid in light

chose not to respond to the merits of this argument and instead argued only that AT&T was barred from raising the Granello reference on appeal because AT&T had allegedly abandoned reliance on it in the trial below. On November 5, 1993, the Federal Circuit reversed Collins' judgment and invalidated claim 29. The Federal Circuit concluded that claim 29 was obvious in light of the Granello article and two other articles known as "Mack & Patrusky" and the "Final Technical Report." Pet. App. 34a, 36a-37a. The court explained that "*both* Granello . . . *and* the Final Technical Report . . . teach [the] individual space and time switch modules" that Collins claimed were critical to the patentability of its alleged invention, and that "[*a*]*ll three* references further teach the advantages of a modular design." *Id.* at 36a-37a (emphases added).

Collins sought rehearing before the Federal Circuit and, according to its complaint in this action, "explained, inter alia, AT&T's deception and mischaracterization of Figure 5 of the Granello article." Pet. App. 55a. In its request for rehearing, Collins accused AT&T of "deception," "artifice," "prevarication," "utterly false" representations, and use of "the big lie." Pet. for Reh'g at 3, 8. Collins also asked the Federal Circuit to consider new evidence, in the form of "amicus letters." The Federal Circuit directed AT&T to respond to Collins' petition. Pet. App. 55a. Thus, prior to issuing its mandate, the Federal Circuit had before it the Granello article, AT&T's representations concerning that article, and Collins' explanation as to why those representations were allegedly fraudulent. The Federal Circuit then denied Collins' petition.

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of Granello. The PTO, however, later reversed itself and found claim 29 valid—a fact the Federal Circuit was aware of before it issued its decision. *See* Pet. App. 37a ("we are not unmindful that on reexamination the PTO, after initial rejection of claim 29 . . . withdrew that rejection").

After unsuccessfully seeking rehearing *en banc* (*Collins Licensing, L.P.* v. *American Tel. & Tel. Co.*, Nos. 92-1201, 92-1294, & 92-1302, 1994 U.S. App. LEXIS 834 (Fed. Cir. Jan. 11, 1994)), Collins filed a petition for a writ of certiorari. In its petition, Collins argued that the Federal Circuit's decision was "factually wrong." Pet. for Writ of Certiorari at 7 n.4 (Apr. 11, 1994). Collins claimed that the Federal Circuit had "adopted its own interpretation of the key prior articles" (*id.* at 8) without "com[ing] to grips with the trial evidence, which demonstrated that its interpretation of the prior art was incorrect." *Id.* at 6. This Court denied Collins' petition. *Collins Licensing, L.P.* v. *American Tel. & Tel. Co.*, 511 U.S. 1137 (May 31, 1994).

2. Seven months later, petitioner filed this action in a district court (the Northern District of Texas) that had no connection to the prior patent litigation. Alleging that AT&T had engaged in a "fraudulent scheme to nullify claim 29" of the Collins patent by making "false representations about Granello to the Federal Circuit" (Pet. App. 47a, 52a), Collins asserted four causes of action—intentional injurious falsehoods, intentional interference with protected property rights, fraud, and fraud on the government. *Id.* at 61a-63a. In support of these claims, petitioner alleged that the Federal Circuit's findings with respect to the Granello reference were "wrong" (*id.* at 55a) and sought, by way of damages, everything it had lost on appeal to the Federal Circuit—*i.e.*, "its judgment against AT&T," "post-judgment interest on the judgment," and a $500,000 license fee that "was contingent upon the outcome of the appeal in the Federal Circuit." *Id.* at 60a. Before AT&T's response was even due, Collins filed a motion for partial summary judgment in which it argued that "the finding by the Federal Circuit as to the contents of Granello . . . was . . . false" (Mem. in Supp. of Pl.'s Mot. for Partial Summ. J. or Similar Relief at 2) and that the district court could so rule as a matter of law.

See Pl.'s Mot. for Partial Summ. J. or Similar Relief at 2.[3]

AT&T moved to stay Collins' summary judgment motion and to dismiss the complaint on the ground that Collins' "tort" suit was an impermissible collateral attack on the Federal Circuit's mandate. AT&T argued that Collins effectively sought relief from the Federal Circuit's judgment while evading, through the guise of a tort suit, the strictures that govern such relief. Collins argued in response that its complaint sought "no such remedy" and that its suit was "neither a Rule 60(b) motion nor an 'independent action' contemplated by Rule 60(b)." Pl.'s Resp. to Def.'s Mot. to Dismiss at 2, 6. Collins claimed it was entitled to maintain a suit for tort damages without first obtaining any relief from the Federal Circuit's judgment and that the damages award Collins sought would not "change the prior judgment one iota." *Id.* at 9.

The district court granted AT&T's motion, finding that "the extraordinary relief that Collins seeks—essentially a ruling that a factual finding of the Federal Circuit is wrong—would effectively amount to relief from the Federal Circuit's judgment." Pet. App. 12a. The court held that it lacked jurisdiction to grant such relief in the absence of leave from the Federal Circuit. *Id.* at 11a-12a. A losing litigant, the court explained, cannot obtain relief from an appellate judgment by instituting a subsequent tort action; rather, "[r]elief from judgment would be the only proper remedy for and assertion of fraud on the court." *Id.* at 12a. The court dismissed the complaint "without prejudice" to afford Collins the opportunity to seek the proper relief. In the alternative, the court held that Collins' claims were barred by collateral estoppel.

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[3] Collins also argued that the district court could take "judicial notice" of the falsity of the Federal Circuit's findings or force AT&T, as part of a Rule 16(c) pretrial order, to agree that the appellate court's findings were false. Mem. in Supp. of Pl.'s Mot. for Partial Summ. J. or Similar Relief at 7-8.

The Fifth Circuit affirmed without oral argument in an unpublished per curiam opinion. Like the district court, the court of appeals found that, "[n]o matter how long or how loudly Collins professes that it does not seek relief from the mandate of the Federal Circuit, it cannot evade the facts to the contrary." *Id.* at 6a-7a. Collins' suit was "a collateral attack on the mandate of the Federal Circuit" and the district court had properly "refused to entertain such a specious complaint." *Id.* at 7a. The court also endorsed the district court's alternative ruling, holding that the Federal Circuit had already disposed of Collins' claims of fraud. *Id.* Finally, the court held that Collins' appeal was frivolous, sanctioned Collins and awarded AT&T its costs and attorneys' fees. *Id.* at 7a-8a.

3. Collins filed a petition for rehearing, ostensibly limited to the propriety of the sanctions, in which it continued to argue that its complaint "was not an attack on the patent infringement decision" (Pet. for Reh'g, Attach. A at 5) and that the Federal Circuit's invalidity ruling was "erroneous." Mem. in Opp. to Sanctions at 33. Collins also pointedly "denied" that its position on appeal was erroneous. *Id.* at 16. Following a show cause hearing, the court below again found that Collins' state-law tort claim "was purely and simply a collateral attack on the Federal Circuit's mandate" (Pet. App. 19a) and that Collins' decision to appeal the dismissal of that claim was "sanctionably frivolous." *Id.* at 30a.

The court explained that Collins was collaterally estopped because its assertions of fraud were "nothing but an attempt to re-assert that the Federal Circuit incorrectly interpreted the Granello Article as a matter of law." *Id.* at 23a. Collins was barred from asserting this claim because it had already "had a full and fair *opportunity* to . . . oppos[e] . . . AT&T's supposedly fraudulent and erroneous characterization of the Granello Article to the Federal Circuit" and the Federal Circuit has indisputably decided the issue. *Id.* (emphasis in original). In addition, Collins had explained why AT&T's representations

were allegedly fraudulent in its petition for rehearing to the Federal Circuit, and that court was properly presumed to have disposed of this argument when it issued its mandate after denying Collins' petition. *Id.* at 24a.

The court also explained that Collins should have recognized the propriety of the district court's jurisdictional ruling. All of the authority Collins relied on in support of its tort claim involved "equitable review of a final judgment, not . . . an independent state-law tort claim." *Id.* at 25a. Thus, Collins' own cases should have made clear "that its only appropriate recourse was to seek some sort of equitable review," which is "now governed exclusively by Rule 60." *Id.* Collins, however, had steadfastly and improperly refused to pursue such a remedy. *Id.* at 28a.

ARGUMENT

The courts below held that a state-law tort suit that requires a determination that an earlier, final judgment of an appellate court is "wrong" is necessarily a collateral attack on that judgment, and that such a suit cannot proceed unless the plaintiff first obtains equitable relief from the prior judgment. This decision does not conflict with the language of Rule 60(b) or the decisions of this or any other court. Collins' persistent and unreasonable arguments to the contrary simply confirm the propriety of the sanctions award.

1.A. Petitioner's reliance on the savings clause of Rule 60(b) is not merely misplaced but is disingenuous. That clause provides that the rule "does not limit the power of a court to entertain an independent action *to relieve a party from a judgment*." Fed. R. Civ. P. 60(b) (emphasis added). The independent action that the rule preserves is *not* a common law tort action "like Collins's" (Pet. at 13 n.3) but an equitable action for relief from a judgment. This is clear not only from the underscored portion of the rule quoted above, but from the Advisory Committee Notes, which state that "a new or independent action"

may be brought "to *set aside a judgment* upon those principles which have heretofore been applied in such an action." Fed. R. Civ. P. 60(b), 1946 Advisory Committee Notes (emphasis added).[4] Indeed, contrary to its current claim, Collins knows full well that its tort suit is not an independent action within Rule 60(b)'s savings clause: Collins repeatedly told the lower courts that its suit was "neither a Rule 60(b) motion *nor an 'independent action' contemplated by Rule 60(b)*" (Pl.'s Resp. to Def.'s Mot. to Dismiss at 6 (emphasis added)) and that it was *"not seeking to . . . set aside the judgment"* of the Federal Circuit (*id.* at 2 (emphasis added); *see also* Brief for Appellant Arthur A. Collins, Inc. at 12 (the complaint "is not seeking to amend or set aside the judgment" of the Federal Circuit)).

Collins eschewed this remedy because it could not satisfy the requirements that apply in such an action. These requirements include, among other things, "clear and convincing proof . . . that the evidence underlying the judgment was . . . fabricated or concealed" and a showing "that the fabrication or concealment was a material basis for the judgment and was not merely cumulative." *Restatement (Second) Judgments* § 70 cmt. d.[5] Here, of course, Collins canot show materiality, because the Fed-

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[4] *See also* 11 Charles A. Wright *et al., Federal Practice and Procedure* § 2868 (1995) ("The reference to 'independent action' in the saving clause is to what had been historically known simply as an independent action *in equity* to obtain relief from a judgment") (emphasis added).

[5] Relief from a judgment for fraud requires proof of egregious conduct, involving, for example, bribery of a judge, corrupt conduct by a party's attorneys, or document forgery. *See, e.g., Kenner* v. *Commissioner*, 387 F.2d 689, 691 (7th Cir. 1968); *Addington* v. *Farmer's Elevator Mut. Ins. Co.*, 650 F.2d 663, 668 (5th Cir. 1981); *Kerwit Med. Prods., Inc.* v. *N & H Instruments, Inc.*, 616 F.2d 833, 837 (5th Cir. 1980); *see also Hazel-Atlas Glass Co.* v. *Hartford-Empire Co.*, 322 U.S. 238, 240, 241, 242-43, 245 (1944) (fraud shown where "officials and attorneys . . . published in a trade journal [a bogus] article," the lawyer who wrote "the spurious

eral Circuit based its finding of invalidity not only on the Granello article, but on two other prior art references as well. Pet. App. 36a-37a. More fundamentally, the Granello article is not a fabrication but an indisputably *bona fide* publication. In fact, the "fraud" Collins alleged consisted of nothing more than contested legal argument in an *inter partes* proceeding—a "showing" that does not remotely justify relief from judgment.[6]

These stringent requirements are predicated upon policies of repose, respect for the finality of judgments and comity between courts—all of which provide a more than adequate answer for "why a tort action should be unavailable" in cases such as this one. Pet. at 10. Asking a district court to rule that a decision of an appellate court is "wrong" is a direct affront to the authority of that appellate court, which has an indisputable interest in protecting the integrity of its judgments. It is for this reason that "relief should ordinarily be sought in the court that rendered the judgment" (*Restatement (Second) Judgments* § 79 cmt. b) and "leave of the appellate court has been required before the district court may entertain an action attacking a judgment that has been affirmed on appeal." 11 Charles A. Wright *et al., Federal Practice and Procedure* § 2868 (1995). Moreover, Collins' baseless lawsuit has plainly frustrated AT&T's interest in repose.

Nor do the decisions below "preempt" state common law actions or "immuni[ze]" "[c]onduct that is tortious under state law." Pet. at 9-10. Because Rule 60(b) is "intended . . . [to] deal with the practice in every sort of

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publication" filed a brief that "[q]uot[ed] copiously from the article," and the litigant bribed a key potential witness to the fraud).

[6] *See* 11 Charles A. Wright *et al., Federal Practice and Procedure* § 2868 (1995) ("Resort to an independent action may be had only rarely, and then only under unusual and exceptional circumstances. It is not the function of an independent action to relitigate issues finally determined in another action between the same parties").

case in which relief from final judgments is asked, and [to] prescribe the practice" (Fed. R. Civ. P. 60(b), 1946 Advisory Committee Notes), the courts below properly held that the rule, including the independent equitable actions it permits, provides the "only appropriate recourse" to a party seeking relief from a final judgment. Pet. App. 25a. Nowhere, however, did the courts below rule that a party that obtains relief from a judgment may not thereafter institute a tort action; to the contrary, by dismissing Collins' case without prejudice, the district court left such a course open to Collins.

B. The three nineteenth century decisions of this Court that Collins cites in no way demonstrate that Collins' tort claims are proper. In none of these cases did this Court permit a party to bring a state-law based tort action for damages against a successful litigant. Rather, each case involved an independent equitable action to set aside a prior judgment—precisely the relief that Collins has steadfastly maintained it does not seek here. *See Arrowsmith* v. *Gleason*, 129 U.S. 86, 100 (1889) ("judgments may . . . be *set aside or rendered inoperative*" by a court of equity) (emphasis added); *Johnson* v. *Waters*, 111 U.S. 640, 667 (1884) (same); *Marshall* v. *Holmes*, 141 U.S. 589, 597-98 (1891) (a permissible independent action is "a bill in equity *to set aside a decree* for fraud") (emphasis added).[7] There is thus absolutely no conflict between these cases and the lower courts' determination that Collins likewise was required to seek "equitable review" of the Federal Circuit's judgment. Pet. App. 25a.

Nor does the decision below conflict in any way with the decisions of the Tenth or Second Circuits. In *Robinson* v. *Volkswagenwerk AG*, 56 F.3d 1268 (10th Cir. 1995), *cert. denied*, 116 S. Ct. 705 (1996), the Tenth

[7] The underscored passages, moreover, plainly refute Collins' claims that the litigants in these cases did "not seek to overturn the judgment rendered in the prior litigation" (Pet. at 13) or that an independent action may be brought "without setting aside [the prior] judgment." *Id.* at 14 n.5.

Circuit did not hold that plaintiffs "were entitled to bring [a tort action for damages] instead of invoking Rule 60(b)." Pet. at 16. To the complete contrary, the Tenth Circuit, like the courts below, looked to the substance of the plaintiff's "tort" claims and concluded that the complaint was in reality "an 'independent action' for relief from the judgment recognized by Rule 60(b)." 56 F.3d at 1274. The Tenth Circuit expressly held that "the trial court was correct insofar as it concluded that plaintiffs *could not pursue their claims for damages without first obtaining relief from the judgment.*" *Id.* at 1273 (emphasis added). That, of course, is precisely what the courts below held in this case.[8]

Similarly, in *Cresswell* v. *Sullivan & Cromwell,* 922 F.2d 60 (2d Cir. 1990), the Second Circuit rejected the plaintiffs' claim that their complaint did " 'not seek[] "relief" from a "judgment" within the terms of Rule 60(b).' " Pet. at 15. Instead, like the Tenth Circuit and the courts below, the Second Circuit concluded that, in substance, "the present action is not an action at law" but "an independent [equitable] action to set aside a judgment." 922 F.2d at 71; *see also id.* at 70 (district court had "equitable jurisdiction to entertain an attack on the *Cresswell I* judgment"). The Second Circuit then remanded the case and directed the district court to determine whether plaintiffs' claims satisfied the "traditional equitable principles" that govern requests for relief. *Id.* at 71-72. These, of course, are precisely the principles that Collins sought to evade by labeling its complaint a tort action.

2.A. The lower courts also determined that Collins needed appellate leave before it could bring an action

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[8] The Tenth Circuit found that the district court had erred only in holding that a request for relief is governed by Rule 60(b)'s one-year time limit, noting that an independent action is not subject to this limitation. 56 F.3d at 1273. Here, the court below did not reject Collins' claims on timeliness grounds but because Collins did not seek either type of equitable relief permitted by the rule.

seeking a judgment that a Federal Circuit finding was "wrong." Collins cannot and does not claim that this holding, or the lower courts' interpretation of *Standard Oil Co.* v. *United States*, 429 U.S. 17 (1976), conflicts with the decisions of any other court. Nevertheless, Collins contends that the appellate leave rule does not apply here because "this litigation can in no way disturb the Federal Circuit's mandate." Pet. at 18.

This argument, which in and of itself does not warrant review of the decision below, was thoroughly "skewered" (Pet. App. 28a) by the lower courts. These courts found that the relief Collins sought, including a finding that the Federal Circuit's decision was "wrong" and an award of everything Collins lost on appeal, would indisputably nullify the appellate court's judgment. Pet. App. 7a, 12a, 19a. That reasoning is factually and analytically unassailable. *See Restatement (Second) Judgments* ch. 5, Introductory Note, at 140 (1982) (in an equitable suit for relief based on fraud, "the applicant seeks to nullify the judgment"). It is also perfectly consistent with authorities Collins itself has cited to this Court. *See, e.g., Robinson*, 56 F.3d at 1274 ("common law fraud claims are barred [where] they are inconsistent with facts underlying the prior judgment").

Collins also claims it was "extraordinary" for the panel to sanction Collins for believing that *Standard Oil* had abolished the appellate leave requirement in all cases. In advancing this claim, Collins once again willfully ignores post-*Standard Oil* appellate cases that consistently hold that the rule was abolished in cases involving *subsequently discovered* fraud perpetrated on the *district court* but continues to apply where the alleged fraud was perpetrated on the appellate court and pertains to the record before that court.[9] Respondent cited these cases in numerous

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[9] *See, e.g., Fine* v. *Bellefonte Underwriters Ins. Co.*, 758 F.2d 50, 52 (2d Cir. 1985); *Seese* v. *Volkswagenwerk, A.G.*, 679 F.2d 336, 337 & n.1 (3d Cir. 1982); *Puerto Rico* v. *SS Zoe Colocotroni*, 601 F.2d 39, 41 n.2 (1st Cir. 1979); *Eutectic Corp.* v. *Metco, Inc.*, 597 F.2d 32, 34 (2d Cir. 1979) (per curiam).

pleadings below, as did the Fifth Circuit in its sanctions decision (Pet. App. 28a n.14), and Collins' awareness of this authority no doubt explains why it believes this "Court need not decide whether the district court's interpretation of *Standard Oil* is correct." Pet. at 18.

B. The lower courts' alternative determination that Collins' claims were barred by collateral estoppel involved the routine application of well-settled legal principles to a unique set of facts and does not raise any issue requiring this Court's attention. That determination was also manifestly correct. As the Fifth Circuit explained, the Federal Circuit necessarily determined in its validity decision that AT&T's statements concerning the Granello article were not false but true. Pet. App. 23a-24a. Those statements were based on evidence in the record before the Federal Circuit and were made in AT&T's opening brief to that court, thereby affording Collins an *opportunity* to litigate the truth or falsity of AT&T's statements. *Id.*

Collins' attacks on this reasoning fail to demonstrate any error, let alone a need for review by this Court. Collins argues, for example, that its decision not to challenge AT&T's claims on the merits in its brief before the Federal Circuit should not give rise to an estoppel (Pet. at 20), yet it cites no authority for this proposition and (once again) ignores contrary authority cited below. *See Harris Trust & Sav. Bank* v. *Ellis*, 810 F.2d 700, 705 (7th Cir. 1987) (where "an adverse party with opportunity and motive to contest [a] presentation chooses not to, the ensuing finding is entitled to the same respect as one litigated to the hilt"). Accordingly, Collins' assertion that the finding of collateral estoppel "must necessarily rest on the Federal Circuit's denial of Collins's petition for rehearing" (Pet. at 20) is flatly wrong.[10] And in claiming

[10] In all events, any reliance the lower courts placed on that denial was proper because the accuracy of AT&T's statements was squarely placed at issue and the Federal Circuit panel "must be presumed to have considered it on a motion for rehearing." *Fine,*

that the meaning of the Granello article "could only have been fairly determined by evidentiary proceedings in a trial court" (Pet. at 20), Collins simply re-hashes arguments it made to the Federal Circuit for why that court should not consider the issue of whether Granello invalidated claim 29.

3. The Fifth Circuit's decision to sanction Collins for prosecuting a baseless appeal and persisting in objectively unreasonable arguments was entirely justified and does not warrant an exercise of this Court's supervisory power. In the face of cogent analysis to the contrary, Collins persisted in claiming that it did not seek relief from the Federal Circuit's judgment and that its "tort" suit would not disturb that judgment; repeatedly argued that nineteenth century cases involving equitable relief from judgments somehow authorized prosecution of tort claims for damages without any need for relief from a prior judgment; and consistently ignored an unbroken line of authority requiring appellate leave in cases of alleged fraud on an appellate court. Collins repeats many of the same flawed arguments in its petition to this Court, and indeed has compounded them by making arguments that it knows are flatly inconsistent with the positions it took before the lower courts.

At bottom, Collins sought to evade the jurisdiction of the Federal Circuit while seeking to nullify a ruling of

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758 F.2d at 53; *see also NLRB* v. *Brown & Root, Inc.*, 206 F.2d 73, 74 (8th Cir. 1953). *Cf. United States* v. *Cote*, 51 F.3d 178, 181 & n.2 (9th Cir. 1995) (denial does not indicate panel's view on a peripheral issue raised only in a footnote in the rehearing petition). For this reason, Collins is forced to argue that the Federal Circuit may have denied the petition because other prior art invalidated claim 29. Pet. at 21 n.9. Of course, if the panel denied the petition because claim 29 was invalid anyway, then AT&T's statements could not have caused Collins any injury. *See Restatement (Second) Judgments* § 70 cmt. d (party must show that "the fabrication or concealment was a material basis for the judgment and was not merely cumulative").

that court. It intentionally attempted to disguise its real claims as a state-law tort action because it knew that resort to the proper remedies under Rule 60(b) would entail seeking leave from the Federal Circuit (which had already rejected Collins' claims of fraud) and would require showings that Collins cannot make. This subterfuge was plainly improper and the Fifth Circuit appropriately sanctioned Collins for engaging in it.

CONCLUSION

For the foregoing reasons, the petition for a writ of certiorari should be denied.

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IN THE
Supreme Court of the United States
OCTOBER TERM, 1996

ARTHUR A. COLLINS, INC.,
Petitioner,

v.

AMERICAN TELEPHONE AND TELEGRAPH COMPANY,
Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Fifth Circuit

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REPLY BRIEF FOR THE PETITIONER

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REPLY BRIEF FOR THE PETITIONER

The Brief in Opposition never addresses the straightforward logic of Collins's claim: (i) AT&T knowingly made false statements in the prior litigation; (ii) AT&T's conduct was tortious under state law; and (iii) in our federal system, a state law tort action may proceed unless it is preempted by federal law. Respondent does not point to anything—nothing in the text of Rule 60(b), nothing in any federal statute, and not a word in any of this Court's decisions—that even suggests that Rule 60(b) precludes state tort actions in these circumstances. It follows that Collins's suit should have been allowed to go forward.

Respondent's position, echoing that of the panel below, is also extraordinarily far-reaching, and implicates issues of obvious practical importance. Respondent's claim is that a state law action may not proceed if it "seeks a

determination that an earlier, final judgment of an appellate court is 'wrong' " (Br. in Op. i; see *id.* at 7). In fact, what Collins's suit "seeks" is a determination that a *party* to the earlier case—AT&T—knowingly made false statements. Justice Bradley and the first Justice Harlan, in opinions written for this Court a century ago, explained the distinction between this kind of claim and one that seeks to set aside a judgment. See Pet. 11-12; pages 3-4, *infra*.

What respondent appears to mean is that Collins's state law action, if it were to succeed, might justify an observer in concluding that the prior federal case was resolved incorrectly. This is of course true—but it is equally true of a wide variety of state law claims. A state tort claim based on, for example, intimidation of witnesses in connection with prior federal litigation, or the theft of privileged communications connected to such litigation, could also cast doubt on the correctness of the prior federal judgment. Indeed, a state *criminal* prosecution for wrongful conduct related to a prior federal lawsuit might also, if it were successful, suggest that the outcome of the federal litigation should have been different. The approach taken by respondent and the panel would dictate that, in such circumstances, state law proceedings cannot even be instituted until the prior federal judgment has been vacated under Rule 60(b). The importance of this issue to core values of federalism—and the error of respondent's position—are self-evident.

1. a. Respondent's principal argument (Br. in Op. 7-10) is a strenuous effort to show that the savings clause of Rule 60(b) does not apply to common law tort actions like Collins's but applies only to "an equitable action" (Br. in Op. 7). Of course, respondent's interpretation of the savings clause flies in the face of its plain language, which refers simply to "an independent action" and says nothing about equitable actions; and as we explained in the peti-

tion, the Advisory Committee Note specifically contemplates actions at law. Pet. 13 n.3.

But more fundamentally, the emphasis respondent places on this argument betrays the weakness of respondent's position. It is not Collins's obligation to show that some provision of federal law affirmatively authorizes this state law action. Respondent must show that federal law precludes it. Needless to say, the savings clause of Rule 60(b) does not preclude anything. Indeed its manifest intent is to establish that Rule 60(b) is not preclusive.

Both the Second and Tenth Circuits have ruled that a tort action like Collins's—in which an element of the damages is the value of a fraudulently-obtained judgment—is an independent action within the meaning of the savings clause in Rule 60(b). See pages 4-5, *infra*. But contrary to the impression respondent seeks to create (*e.g.*, Br. in Op. 8, 14), our principal argument in the petition was based not on the savings clause—which we adduced primarily to show the remarkable error of the panel's assertion about the exclusivity of Rule 60(b)—but on the basic principle of federalism that a state law tort action may proceed unless federal law bars it. See Pet. 8-10. Respondent continues to be unable to identify any federal law that bars Collins's claim.

b. Respondent tries to distinguish the three foundational decisions of the Court in this area—*Marshall v. Holmes*, 141 U.S. 589 (1891); *Arrowsmith v. Gleason*, 129 U.S. 86 (1889); and *Johnson v. Waters*, 111 U.S. 640 (1884)—by selectively quoting from portions of those opinions containing stock recitations of legal principles. Even a basic description of those three cases shows why respondent's description of them is utterly inaccurate. Those cases all involved actions in federal court alleging that fraud had been committed in prior state court proceedings; in all three, the federal plaintiff sought relief that would take away the benefit the defendant had gained from his fraudulent conduct in the state proceedings.

If respondent and the panel below were correct, the federal courts—which of course could not set aside a decree of a state court (see, *e.g.*, *Marshall*, 141 U.S. at 599)—should have refused to entertain the fraud claims until the plaintiffs had gone to state court and obtained a vacatur of the earlier state judgment. Instead, the federal courts heard the claims on the merits and granted relief. Collins's suit follows exactly the same pattern: rather than asking a court to vacate the prior judgment, it is seeking to have respondent disgorge the fruits of its alleged fraud. The fact that the plaintiffs in *Marshall*, *Anderson*, and *Johnson* invoked a federal cause of action for equitable relief, while Collins invokes a state cause of action for damages, is obviously immaterial.

As the first Justice Harlan said in *Marshall*: "While [the federal court] cannot require the state court itself to set aside or vacate the judgments in question, it may * * * take from [the defendant] the benefit of judgments obtained by fraud." 141 U.S. at 599-600. It is difficult to imagine a more explicit rejection of respondent's position or a clearer endorsement of the precise position that Collins advances here.

c. Respondent is no more successful in explaining away *Cresswell v. Sullivan & Cromwell*, 922 F.2d 60 (2d Cir. 1990), and *Robinson v. Volkswagenwerk AG*, 56 F.3d 1268 (10th Cir. 1995), cert. denied, 116 S. Ct. 705 (1996). Respondent appears to suggest that those cases involved claims for equitable relief. See Br. in Op. 10-11. They did not: both were damages actions for fraud allegedly committed in the course of prior federal litigation. *See Robinson*, 56 F.3d at 1271; *Cresswell*, 668 F. Supp. 166, 168 (S.D.N.Y. 1987). The plaintiffs in both cases, like Collins, did not seek to set aside the earlier judgment; rather, as the Tenth Circuit explained, they sought "to recover damages said to be caused by the defendants' fraud in the course of obtaining that judgment." 56 F.3d at 1272.

Neither court of appeals so much as suggested what the panel below held—that Rule 60(b) is the exclusive remedy in such a case. Instead, both courts of appeals held that these damages actions were the kinds of "independent action[s]" authorized by the savings clause of Rule 60(b)—contradicting respondent's assertion that the savings clause cannot apply to damages actions. See 56 F.3d at 1274; 922 F.2d at 70. Neither court of appeals suggested that such damages actions would be barred until the plaintiffs first sought to have the judgment vacated. The Second Circuit proceeded to the merits (922 F.2d at 71-73); the Tenth Circuit held that the suit was barred, not by Rule 60(b), but by collateral estoppel—because there had been a full bench trial on the specific issue of whether the defendant had engaged in fraud in the prior litigation. See 56 F.3d at 1275. The language from the Tenth Circuit's opinion that respondent quotes and italicizes (Br. in Op. 11), to the effect that the plaintiffs could not proceed without first obtaining relief from the judgment, is explicitly linked, in the opinion, to the finding of collateral estoppel.[1]

d. Respondent also appears to suggest that Collins brought this suit as a tort action in order to avoid certain "requirements" or "showings" that, respondent asserts, Collins "cannot make." Br. in Op. 8, 15.[2] The short

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[1] The full sentence from the opinion reads (56 F.3d at 1273; emphasis added):

> *Given this inconsistency*, we think the trial court was correct insofar as it concluded that plaintiffs could not pursue their claims for damages without first obtaining relief from the judgment.

Respondent omits the phrase "[g]iven this inconsistency" (Br. in Op. 11). The "inconsistency" is between the plaintiffs' claims and findings of fact by a jury. See 56 F.3d at 1273.

[2] Of course, if the state tort law on which Collins relies is inconsistent with some particular provision of federal law or thwarts a significant federal interest, the state cause of action would have to be modified or limited in that specific respect. Cf. *Boyle v. United*

answer is that this goes to the merits of Collins's claim, and that Collins would welcome an opportunity to make any "showings" that might conceivably be required about the falsehood of respondent's statements concerning the Granello article.

In any event, in hypothesizing the "requirements" that Collins supposedly could not meet, respondent asserts that Collins must show a " 'fabrication' " and "the Granello article is not a fabrication but an indisputably *bona fide* publication." Br. in Op. 8-9 (citation omitted). But of course Collins's contention is not that the Granello article is a fabrication but that respondent deliberately made false statements about the article. Respondent also asserts that "Collins can[n]ot show materiality, because the Federal Circuit based its finding of invalidity not only on the Granello article, but on two other prior art references" (Br. in Opp. 8-9). As we explained in the petition, this argument has been explicitly rejected by this Court. *Hazel-Atlas Glass Co. v. Hartford-Empire Co.*, 322 U.S. 238, 246-47 (1944), quoted at Pet. 22 n.10.

2. Respondent, like the panel below, treats the collateral estoppel issue briefly and in a superficial and inaccurate way, confirming that the panel's remarks about collateral estoppel were not, as respondent asserts, an "alternative ruling" (Br. in Op. i) but rather simply a byproduct of the panel's conclusion that Collins was not entitled to bring a tort action at all.

a. Respondent asserts that "[d]uring the trial in th[e] prior litigation, respondent maintained * * * that claim 29 of Collins' patent was invalid in light of [the] article written by Guido Granello" (Br. in Op. 2). This statement is false. Respondent cites nothing in the trial record to support it. (Respondent's citations for that proposition are our petition and the complaint, both of which, of

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Technologies Corp., 487 U.S. 500, 507-13 (1988). But that is a far cry from saying the state claim may not be brought at all.

course, say the opposite.) Respondent simply did not raise the Granello defense at trial. In fact, as we said in the petition (Pet. 3)—and as respondent conspicuously does not dispute—respondent's trial counsel explicitly disclaimed reliance on Granello in closing argument.

b. Respondent asserts (Br. in Op. 13) that the Federal Circuit "necessarily determined" that AT&T's statements about Granello "were not false but true." While the Federal Circuit did, of course, accept AT&T's representations about Granello, this is not enough to establish collateral estoppel. As this Court has repeatedly said, there is no collateral estoppel unless Collins had "a 'full and fair opportunity' to litigate" the question whether those representations were fraudulent. *Kremer v. Chemical Construction Corp.*, 456 U.S. 461, 480-81 (1982) (citations omitted); see also Pet. 19 (citing cases).

There were only two points at which this question could possibly have been addressed in the earlier case. The first was when AT&T made its representations about the Granello article in its opening brief in the Federal Circuit—at which point Collins pointed out that the entire argument had been waived in the district court. The second was in the petition for rehearing. At that point the Federal Circuit not only denied rehearing but explicitly refused even to consider five letters that Collins produced, written without compensation by experts of unquestionable stature in the profession, that demonstrated the falsehood of AT&T's statements.

The Federal Circuit, therefore, simply accepted AT&T's representations about the Granello article, without any trial record, any expert testimony, or any cross-examination on this highly technical subject. Against this background, it is manifest that Collins has never had "a 'full and fair opportunity' to litigate" its claim that those representations were false. Collins has never had a hearing on the

question of fraud, even though the law is clear that fraudulently obtained judgments have no preclusive effect. *E.g.*, Restatement (Second) of Judgments § 70 (1982). We know of no decision suggesting that collateral estoppel is appropriate in this situation, and this is no doubt why the discussions of collateral estoppel by both the panel and respondent are so cursory.[8]

3. The Brief in Opposition is eloquent testimony to the injustice of the award of sanctions in this case. Respondent is forced to devote all of its attention to explaining away the abundant sources that show that a suit like Collins's is entirely permissible and appropriate: the language of Rule 6(b); decisions of this Court; and decisions of at least two other circuits. If Collins's claim were as insubstantial as respondent and the panel below suggest, then surely there would be something—some rule; some statute; some decision of this or some other court—that would say as much. Neither respondent nor the panel identifies anything of the kind.

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[8] Respondent cites (Br. in Op. 13) *Harris Trust & Sav. Bank v. Ellis*, 810 F.2d 700, 705 (7th Cir. 1987), but it is unclear why respondent does so. *Harris Trust* did not involve either an argument that was waived in a lower court or a petition for rehearing. In fact, as we said in the petition (Pet. 20 n.8), the Seventh Circuit has suggested that a party who asserts that an argument was waived in the district court *cannot* then argue the merits, or it will relinquish its waiver claim. See *Doherty v. City of Chicago*, 75 F.3d 318, 324 n.2 (7th Cir. 1996).

For these reasons and the reasons stated in the petition, the petition for a writ of certiorari should be granted as to all the questions presented, and the award of sanctions should be summarily vacated.

Respectfully submitted,

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